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The new federal tax law contains many important changes for property investors.

There was some controversy at the end of the legislative battle over the name of this new law and, more specifically, whether it should have a name at all. Despite ending up with no short name, the new tax law should be called the "Full Employment Act for Accountants" since it introduces many complex changes to the tax law that will keep tax professionals busy for quite some time. Some of those changes are as follows:

- Marginal tax rates are lower at most income levels.
- The standard deduction is doubled. This is probably a non-issue for many property investors who will likely still benefit from itemizing their deductions.
- There is a 20% deduction for qualified business income, subject to various complicated limitations. The full effect of this new deduction is difficult to understand because of all its limitations but it will likely be a big benefit to many property investors.
- Taxes on investment property remain deductible as a business expense but there are limits on the extent to which non-investment property taxes are deductible.
- Interest expense on a loan used to acquire investment property remains deductible but there are changes to the deductibility of other types of interest expense, including interest expense for non-investment property.
- Depreciation expenses are modified by changing the number of years over which improvements to a property must be depreciated.
- A purchase of qualified personal property may be deducted in full in the year when it is purchased.
- These changes are set to expire unless extended at some later date.

As always with tax issues, we strongly recommend that you consult with a tax professional to discuss the best approach for your individual circumstance.

Anti-price gouging laws may limit rent increases due to the recent fires and Governor Brown's decision to declare a state of emergency.

Fires have caused substantial hardship across California in 2017, including the Thomas Fire in Santa Barbara which is the largest in California history.

As a result of all the damage from these fires, Governor Brown has declared a state of emergency in San Diego, Los Angeles, Ventura, and Santa Barbara counties that, according to the California Apartment Association ("CAA"), "prohibits raising the price of many consumer goods and services, including that of rental housing, by more than 10 percent after the emergency has been declared." The state of emergency remains in effect until at least June 7, 2018.

California's price-gouging law does not set clear parameters for determining where the price controls apply, so rent increases exceeding 10 percent — anywhere in California — may constitute price gouging while emergency declarations are in effect.

Even though San Luis Obispo County has been spared from the recent fires, CAA notes that because "the price-gouging law does not set clear parameters for determining where the price controls apply, rent increases exceeding 10 percent — anywhere in California — may constitute price gouging while emergency declarations are in effect."

As a practical matter, at California West we have not seen any measurable impact from the fires in our local markets, so the likelihood that a San Luis Obispo County property investor could successfully be accused of price gouging is probably low.

That said, we have no crystal ball on matters such as this and our recommendation to clients over the next few months is to exercise caution if raising rents and to be mindful of the impact that such rent raises may have in light of the recent fires.

In addition to being mindful of the fires, another reason to exercise caution in raising rents right now is simply the fact that current market conditions are relatively stable.

From what we are seeing, market driven rent increases have lately been in the 2-5 percent range if rents are kept at or near market rates. In other words, this is not a runaway rental market as we saw a few years ago, although it is still relatively strong.

In sum, we are extraordinarily fortunate to have not suffered from any of the recent fires but are nevertheless advising our clients to be cautious with rent increases over the next few months to avoid accusations of price gouging and because market conditions do not justify an aggressive approach at this time.

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