HIP housing

Specializing in creative affordable housing solutions, and connecting people to housing,
in San Mateo County, CA
since 1972

1200 People Housed Annually

HIPhousing

Housing Resource Hub

- Weekly community resource eblast
- Access to HIP Housing’s Affordable Housing Google Site
- Getting Started Packet

Housing Readiness Program

“Moments that Matter”

The purpose of the HRP is to improve a San Mateo County older adult’s access to housing resources, prioritize follow-up, and provide case-management support.

Housing Readiness Program

- Phone, virtual, in person meetings
- Review budget & debt
- Assess housing needs
- Develop housing plan
- Add to wait lists
- Complete housing applications
- Connect to community resources

Self Sufficiency Program

- Housing
- Supportive Services

- Monthly case management
- Life Skills Workshops
- Trauma Informed Care

- Education/Career planning
- Financial Literacy
- Counseling support

- Mentor Program
- Nurturing Fathers Program

Home Sharing Program

Home Providers and Home Seekers

Interview Process

Types of matches

Living Together Agreements

Follow up support/mediation

HIPhousing
HHDC

Property Development

- 501 Below Market (BMR) or subsidized units
- Property Management for City of Foster City, Rotary Club of San Mateo
- Property Interest list

How to apply for services

PROGRAM	HOW TO APPLY FOR SERVICES	NEXT STEPS
Housing Readiness Program	Contact (650) 348-6660 Housing Readiness Program - HIP Housing	Phone screening intake Affordable housing resources
Home Sharing Program	Contact (650) 348-6660 Complete a website inquiry Home Sharing Program - HIP Housing	Phone screening to determine eligibility Schedule an appointment Refer to Housing Readiness
Self Sufficiency Program	Contact (650) 348-6660 Complete a website inquiry Self Sufficiency Program - HIP Housing Complete the Pre-Application & Reference form	Phone screening to determine eligibility Schedule Intake & budget meeting
Properties	Complete a Waiting List form Find Housing - HIP Housing	When a HIP Housing property is available, applicants will be notified

HIPhousing

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Small Business Commission Agenda Report Item

Meeting Date: April 9, 2026

Subject: Overview of 2026 Federal Tax Law Changes Impacting Small Businesses and Real Estate Investment

Recommendation

Receive and file this report providing an overview of significant federal tax law changes effective in 2026, with emphasis on implications for small businesses, commercial activity, and real estate investment.

Background

Recent federal legislation, primarily Public Law 119-21 - the **One Big Beautiful Bill Act (OBBBA)** enacted in July 2025, introduced substantial and in many cases permanent changes to the federal tax code. These provisions took effect in the 2026 tax year and represent one of the most consequential updates to business and investment taxation since the Tax Cuts and Jobs Act.

The changes are designed to:

- Incentivize capital investment and business expansion
- Provide long-term certainty for pass-through entities
- Adjust tax thresholds to account for inflation
- Encourage workforce participation and employer-supported benefits

These updates have direct implications for:

- Small and locally owned businesses
- Commercial real estate owners and developers
- Individual investors with capital assets

Discussion

1. Key Tax Changes Affecting Small Businesses

A. Permanent Qualified Business Income (QBI) Deduction (Section 199A)

- The 20% deduction on qualified business income is now **permanent**.
- Applies primarily to pass-through entities (LLCs, S-Corps, sole proprietors).
- Provides long-term tax planning certainty for small businesses.

Real-World Example:

A local restaurant structured as an S-Corp with $500,000 in qualified business income can now permanently deduct 500,000 in qualified business income can now permanently deduct 500,000 in qualified business income can now permanently deduct 100,000 (20%), significantly enhancing cash flow for reinvestment in the business, such as remodeling or expanding to a new location.

Implication:
Stabilizes after-tax income projections and increases retained earnings capacity for reinvestment.

B. Expanded Section 179 Expensing

- Deduction limit increased to approximately $2.5 million with higher phase-out thresholds.

Real-World Example:

A tech startup purchasing new servers and office furniture totaling $1.5 million can fully deduct the entire amount in the current tax year rather than depreciating it over several years. This immediate expensing improves the company's short-term cash flow and encourages further investment in technology.

Implication:
Small businesses can immediately expense equipment, tenant improvements, and capital expenditures rather than depreciating over time, improving short-term cash flow.

C. Restoration of 100% Bonus Depreciation

- Full expensing reinstated for qualifying assets placed in service after early 2025.

Real-World Example:

A construction company investing $1 million in new machinery can deduct the full amount in the year it was purchased. This incentivizes quicker investments in infrastructure, leading to enhanced efficiency and project delivery times.

Implication:
Encourages accelerated investment in:

- Equipment
- Leasehold improvements
- Buildouts for retail and restaurant uses

This is particularly relevant to economic development strategies tied to tenant attraction and corridor activation.

D. Enhanced Employer Tax Credits (Childcare)

- Credit increased to 40% (up to $500,000) and up to 50% for small businesses.

Real-World Example:

A small business owner who installs an onsite childcare facility could qualify for a $250,000 credit toward the cost of setting it up. This reduces operational costs while increasing employee satisfaction and retention.

Implication:
Supports workforce retention strategies and reduces operational costs for employers offering employee benefits.

E. Reporting and Compliance Updates

- Changes to **1099 reporting thresholds and payroll reporting requirements**.

Real-World Example:

A freelance graphic designer earning $60,000 annually will now face stricter documentation requirements for clients paying via platforms like PayPal, necessitating a more comprehensive financial tracking system.

Implication:
Increases administrative complexity and reinforces the need for stronger financial systems and compliance infrastructure.

2. Tax Changes Affecting Real Estate Investors

A. Bonus Depreciation + Cost Segregation Strategy

- 100% bonus depreciation allows full write-off of qualifying components in year one.

Implication:
Creates significant upfront tax sheltering opportunities when paired with cost segregation studies, improving IRR on acquisitions and developments.

B. Opportunity Zone Program Enhancements

- Continued and expanded incentives for Qualified Opportunity Zone (QOZ) investments.

Real-World Example:

An investor purchasing property within a designated opportunity zone can defer capital gains taxes on the initial investment and receive a step-up in basis, benefiting from reduced taxes on future gains when the property is sold.

Implication:
Strengthens investment attractiveness in designated areas, potentially aligning with local revitalization corridors.

C. Capital Gains Threshold Adjustments (Inflation Indexed)

- 2026 thresholds increased:
    - 0% rate up to ~$98,900 (joint filers)
    - 15% rate up to ~$613,700
- Rates remain at 0%, 15%, and 20%.

Real-World Example:

A married couple selling their $750,000 investment property will pay 15% tax on gains up to the new threshold, reducing their overall tax burden due to the inflation adjustment.

Implication:
Slight reduction in effective tax burden on asset sales due to inflation adjustments.

D. SALT Deduction Cap Increase

- Cap increased to **$40,000**, with income phase-outs.

Real-World Example:

A homeowner in California with high property taxes can deduct $40,000 of state and local taxes, resulting in lower federal tax liability compared to the previous cap.

Implication:
Particularly beneficial in high-tax states like California, improving net returns on real estate ownership.

E. Estate Tax Exemption Increase

- Increased to approximately **$15 million** per individual.

Real-World Example:

A family with a real estate portfolio valued at $12 million can transfer assets to heirs without facing estate taxes, facilitating smoother generational wealth transition.

Implication:
Reduces estate tax exposure for real estate portfolios and intergenerational asset transfers.

3. Broader Economic and Policy Implications

- Tax policy is now more **pro-investment and pro-capital expenditure**, favoring:
  - Real estate development
  - Equipment-heavy industries
  - Small business expansion
- Permanent provisions reduce uncertainty, but:
  - Some deductions (e.g., charitable thresholds, AMT exposure) introduce new planning constraints
- Increased deductions and incentives are expected to:
  - Stimulate business growth
  - Increase local hiring
  - Accelerate redevelopment activity

<u>Fiscal Impact</u>

This is an informational report and does not have a direct fiscal impact on the City.

However, indirect impacts may include:

- Increased business activity and tax revenue (sales tax, business license tax)
- Potential increase in development applications
- Greater demand for economic development programs and permitting services

<u>Conclusion</u>

The 2026 federal tax changes represent a significant shift toward incentivizing business investment and real estate development. Key provisions, including permanent bonus depreciation, expanded expensing, and stabilized pass-through deductions, create favorable conditions for economic growth.

For local jurisdictions, these changes present an opportunity to:

- Align economic development strategies with federal incentives
- Encourage private investment in commercial corridors
- Support small business expansion and retention

Staff will continue to monitor implementation and provide updates as additional federal or state-level guidance becomes available.

Respectfully submitted,

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