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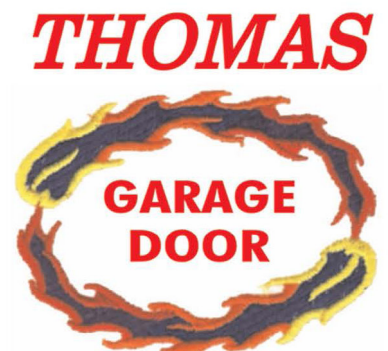
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Texas Elite Custom Homes Proves Worthy of Its Name

By Kathy Bowen Stolz

Proving its name is a good description of its quality, Texas Elite Custom Homes consistently wins awards for its luxurious homes.

Both the Greater Houston Builders Association (GHBA) and the Texas Association of Builders (TAB) have recognized Texas Elite Custom Homes as a winner or finalist in the PRISM and/or Texas Star Awards competitions each year from 2011 to 2017.

The recognition by those organizations can be attributed to the attention to detail and the care the staff of Texas Elite Custom Homes puts into each home, according to its president, Tony Williams. “With each home we try to build it as if we’re going to live in it.”

He also cited the demands he and his construction manager put on the subcontractors they hire. He visits each work site at least three times a week and the construction manager

is on each site daily. “The subs must meet our standards and exceed the homeowners’ standards. We use the best building practices so that we can exceed our homeowners’ expectations.”

He noted that anyone walking through one of Texas Elite’s homes will be aware of the quality and design features. Some of the high-quality features are job-built cabinetry, flooring, granite countertops, decorative light fixtures, drywall, full paneling in the study, compound crown moulding in prime locations and single crown moulding throughout, over-sized baseboards with outlets placed in the baseboards, and no outlets in the kitchen backsplash to help keep walls clean and obscure the outlets.

Numerous tradespeople have told him he’s putting too much into his homes, he said, “but from the beginning we decided we were going to do everything we can to exceed



the norm and to set us apart from other builders.”

Consequently, Texas Elite Custom Homes is the preferred builder in several exclusive neighborhoods in greater Houston and beyond, Williams stated. It is a preferred builder in Shadow Creek at August Pines in Klein/Spring, in Carlton Woods in The Woodlands, in Bluejack National in Montgomery, in the Lakes of Williams Ranch in Sugarland/Richmond, in High Meadow Estates in Montgomery, in Benders Landing in Spring and in Avalon at Seven Meadows in Katy.

It also builds in the Lake Conroe area, Brenham and in College Station. The company is also available to build in Dallas, Austin or other areas of Texas for “the right project,” Williams added.

Typical buyers of Texas Elite’s homes, although building their second or third home, are often stepping up to their first luxury custom home, which is the company’s specialty. The homebuyers are often in their 40s or 50s and work in a variety of industries and professions, he said.

The company’s goal each year is to build eight to 10 homes. The homes typically range from \$500,000 to over \$2 million. It also does residential remodeling projects.

“With over 20 years of construction experience, we have

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Dialogue with a Designer

Laura Miralia – Miralia Design Group

International Flooring knows that dreams, reality and inspiration make a house a home. It also knows that an interior designer or interior design firm often becomes an integral part of this process. As a National Wood Flooring Association (NWFA)-certified company, International Flooring takes great pride in working with some of the finest professionals in the Houston market, providing the best quality wood flooring and carpets available and superb customer service. International Flooring offers their clients a private showroom full of exotic wood floors not found in retail showrooms.

This month International Flooring speaks with Laura Miralia, owner of Miralia Design Group, who has 20 years of experience in Ohio and Houston. During her years in Ohio, she built more than 1,000 custom homes and model homes, learning the construction business process from beginning to end. At the same time she owned an interior design and remodeling business. When the economy took a downturn in 2009, she relocated to Houston. While in Houston she honed her design skills by working with some great design houses and builders. After nine years, she opened Miralia Design Group.

INTERNATIONAL FLOORING: *What motivated you to go into the interior design field?*

Laura Miralia: My mother was a huge inspiration.

Growing up in a house full of artful and creative “finds” collected by my mother influenced my thinking about space and color. Being allowed to paint my room any color made me think about the “want” and “why” at an early age.

INTERNATIONAL FLOORING: *How has the field of interior design changed since you graduated?*

Laura Miralia: With the onset of the popular TV shows, it has become prestigious and fashionable to be a designer! It has gotten much more technical with the use of computer-aided drawings and other technologies being incorporated into homes today.

INTERNATIONAL FLOORING: *How can an experienced interior designer help custom homebuilders or remodeling contractors with their building or remodeling projects?*

Laura Miralia: Designers are an important cog in the wheel for a project to move forward and run smoothly. They take the burden of having to run all over with the client to make selections off the builder. A good designer can foresee problems before they become costly to correct or upgrade materials to help the client get a desired look. Also, accurate and effective communication and organized information are the keys to a successful builder/designer relationship.

INTERNATIONAL FLOORING: *What sets you apart*

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from other designers?*

Laura Miralia: My attention to details, drawings and organizational skills, extensive construction knowledge and my ability to design many styles. I am passionate about what I do, and it comes out in my work. I also do a lot of client education along the way, which helps clients feel content about their decisions.

INTERNATIONAL FLOORING: *What was your most challenging project and why?*

Laura Miralia: Having to design, procure and install four model homes at once for an open house with a short lead time and only one assistant, while keeping my daily work progressing, was a monumental task. We worked very long days, and the accounting was an added challenge with all the accessories!

INTERNATIONAL FLOORING: *How do you begin the materials' selection process when working with builders' and remodelers' clients?*

Laura Miralia: There is a logical sequence to building and remodeling. I find out which vendors I am to use for



various selections and what the allowance is. Then the selections begin with the exterior, followed by all things that are behind the drywall.

INTERNATIONAL FLOORING: *What are some common mistakes made by builders and homeowners?*

Laura Miralia: Homeowners always think it will be simple and easy to make their selections; television makes it look simple! But they are surprised just how much thought and time goes in those decisions, and they get quickly overwhelmed.

Builders don't always keep their homeowners informed during the building process. Like, if a painter isn't completed with a job at the end of the day, and the builders don't update the client with the status, the client jumps to conclusions that the builder missed things and start to look for more omissions. It becomes much harder to overcome and regain the clients' trust.

INTERNATIONAL FLOORING: *How do you keep yourself up-to-date with all the design trends happening in the industry today?*

Laura Miralia: Trade magazine and shows, stores, home tours, continuing education and movies (these have a huge influence on people!).

INTERNATIONAL FLOORING: *What is your favorite design style?*

Laura Miralia: This is a difficult one for me to answer.



I like so many styles and enjoy the variety. Because of the way I immerse myself in a project for a client, I feel satiated with that style and the end. Every room in my house is different with a mix of many styles, and it changes as I get inspired for a fresh look.

INTERNATIONAL FLOORING: *what fascinates you and how have you incorporated that into your designs?*

Laura Miralia: Mirrors! I love how they open up a wall and draw your curiosity into them with their shiny reflection and what they reflect. I use them to add variety and sculpture to wall compositions since they come in so many different shapes and sizes.

INTERNATIONAL FLOORING: *What would characterize your personal style?*

Laura Miralia: Romantic with a classic edge.

INTERNATIONAL FLOORING: *What would be your recommendation for “what to do first” in a*

decorating project when working with the builder and/or homeowner?

Laura Miralia: Have a plan and furniture layout. Homeowners typically call in a builder to price a project but don't have a clear idea of their direction and cannot get apples-to-apples bids. Doing furniture layouts also confirms the space and lighting requirements for a room.

INTERNATIONAL FLOORING: *Any last thoughts?*

Laura Miralia: Homeowners commonly ask friends and family for their opinions. If you ask five people, you can get five different answers. This variety can create confusion and hard feelings when the homeowner takes a different direction. A designer can pick up on homeowners' styles and guide them effectively through the myriad of choices out there. Without the costly mistakes often made by do-it-yourselfers, designers can save the homeowners lots of money and make them very happy with the cohesive and beautiful finished product.



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REGULATIONS GUIDELINES COMPLIANCE

NAHB Tells Congress:

You've Made Progress on Regulatory Reform, But the Job Is Not Done

The National Association of Home Builders (NAHB) lauded efforts by the Trump administration and Congress to roll back onerous regulations that hurt homebuilding firms and other small businesses but cautioned that much more needs to be done to further reduce regulatory burdens.

Testifying before the House of Representatives' Small Business Committee, NAHB Chairman Randy Noel, a custom home builder from LaPlace, La., told lawmakers that significant regulatory changes have benefitted homebuyers, homeowners and homebuilders, but major regulatory headwinds still linger.

"The first year of Donald Trump's presidency has seen major progress on efforts to reduce the relentless and costly over-regulation of American industry," said Noel. "However, while much has been accomplished, the hefty price homebuyers are paying for government regulations represents just one more obstacle that homebuilders need to overcome in restoring the marketplace to normal conditions."

NAHB estimates that regulations imposed by government at all levels account for nearly 25 percent of the final price



of a new single-family home.

"This is not just a problem for the small businesses that build them," said Noel. "It also has a negative effect on Main Street Americans by making affording a home that much more difficult."

On the positive side, President Trump has signed executive orders that expanded health care options and rescinded President Obama's Federal Flood Risk Management Standard, which imposed unanswered regulatory questions that would force developers to halt projects and raise the

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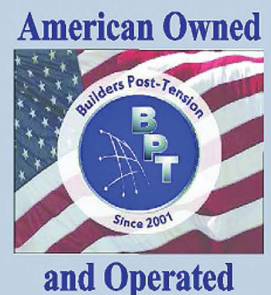
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the knowledge and experience needed to construct the quality home our clients deserve. We build unique homes of varying styles, sizes and budgets for our clients based on their lifestyles and needs,” Williams stated.

Most of its business comes from word-of-mouth referrals, although social media, realtors and worksite signage also lead to inquiries from homebuyers.

Texas Elite Custom Homes is also noted for its energy-efficient homes. Every home is built to the Environments for Living® Platinum Standards, which gives a limited guarantee on heating and cooling, as well as comfort guarantees. For example, a home recently constructed that is 5,700 square feet had an estimated average monthly heating/cooling cost of just \$114 per month.

According to the company website, www.txelitecustomhomes.com, “The Environments for Living® Program, offered by TopBuild Home Services, provides us with defined requirements that ensures we are building homes that offer energy efficiency, indoor environmental quality and durability benefits.

“TopBuild Home Services is able to offer the limited guarantee on energy used for heating and cooling your home because the combination of special framing techniques, improved insulation systems and efficient ductwork helps manage the energy you use to heat and



cool your home. Those same building techniques help ensure that you won't experience a comfort problem – for example, a bonus room or bedroom that never seems to get warm enough in winter or cool enough in summer.

“TopBuild Home Services guarantees the original homeowner that the temperature at the location of the thermostat in the home will not vary more than +/- 3 degrees from the temperature at the center of any conditioned room within that thermostat zone.”

Williams said, “We strive to set ourselves apart from other builders by constructing homes that go above and beyond conventional building codes.” He noted that his homes exceed mandated inspections by the local or state requirements. He uses third-party inspections provided by TopBuild to verify the homes meet the Environments for Living® program requirements, as well as engineering inspections, pad compaction testing, concrete testing and third party inspections for foundation, framing and a final inspection.

Williams and his wife, Kristi, started their business in 2008 after several prospective clients approached him while he was working as a senior project manager in The

Woodlands. Despite starting a new business during a down economic cycle, the company has continued to grow. While Williams has built almost all of his homes under contract, he did build a couple of speculative homes in 2014. He expects to build some more spec homes within the next two years now that the economic outlook is strong.

He anticipates that one or more of his three sons (Tyler, Tony and Kasen) will join the family business full-time someday. His dad was a custom home builder and Tony hopes to continue the legacy.



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The New Tax Code – Good and Bad

By Carl J. Herms, CPA

Disclaimer: This article presents general information and is not intended to be tax or legal advice. Refer to IRS publications and discuss possible tax deductions with your tax preparer. Start your tax planning sooner rather than later.

Good News with Some Complications:

20 Percent Reduction of Taxable Income from Pass-through Entities

New Internal Revenue Code Section 199A allows the deduction of up to 20 percent of qualified business income from pass-through entities in 2018 and thereafter (reverts back to pre-2018 rules after 2025).

Pass-through entities are legal entities set up to provide protections from certain liabilities and other risks which are taxed at the owners' level. That is, they don't pay income taxes. The owners pay taxes on their share of income at their individual income tax rate. These pass-through entities are usually sole proprietorships, partnerships, LLC's and S Corporations.

This change is a big deal. There are many rules (all new, of course), but your odds as a business owner of benefiting from this new deduction are excellent.

Rejoice if you operate your business as a sole proprietorship, partnership or S corporation, because your 2018 income from these businesses can qualify for some or all of the new 20 percent deduction.

You also can qualify for the new 20 percent 2018 tax deduction on the income you receive from your real estate investments, publicly traded partnerships, real estate investment trusts (REITs) and qualified cooperatives.

Basic Look

When can you as a business owner qualify for this new 20 percent tax deduction with almost no complications?

To qualify for the 20 percent with almost no complications, you need two things: First, you need qualified business income from one of the sources above to which you can apply the 20 percent. Second, to avoid complications, you need "defined taxable income" of

- \$315,000 or less if married filing a joint return, or
- \$157,500 or less if filing as a single taxpayer.



Example: You are single and operate your business as a proprietorship. It produces \$150,000 of qualified business income. Your other income and deductions result in defined taxable income of \$153,000. You qualify for a deduction of \$30,000 ($\$150,000 \times 20$ percent).

If you operate your business as a partnership or S corporation and you have the qualified business income and defined taxable income numbers above, you qualify for the same \$30,000 deduction. The same is true if your income comes from a rental property, a real estate investment trust or limited partnership.

Some unfriendly rules apply to what Section 199A calls a specified service trade or business, such as operating as a law or accounting firm. But if the doctor, lawyer, actor or accountant has defined taxable income less than the thresholds above, he or she qualifies for the full 20 percent deduction on his or her qualified business income.

In other words, if you were a lawyer with the same facts as in the example above, you would qualify for the \$30,000 deduction.

Once you are above the thresholds and phase-outs (\$50,000 single, \$100,000 married filing jointly), you can qualify for the Section 199A deduction only when

- you are not in the out-of-favor group (accountant, doctor, lawyer, etc.), and
- your qualified business pays W-2 wages and/or has property.

As you can see, there's much to this new 2018 tax deduction. You may want to spend some time with your tax advisor planning for this deduction.

Some things you will want to consider in tax planning:

- Be sure your business activity code and description is correct to avoid triggering an automatic disallowance.
- Use new deductions for Estimated Tax calculations. You will probably use the money more wisely than the government, so you do not want to overpay.
- If you are using the partnership form and getting guaranteed payments, those guaranteed payments don't count as qualified business income, while distributive shares do. You may want to re-work your agreements to take this into consideration.
- If you have multiple pass-through entities, with intercompany transactions, self-rental agreements and cost accounting for shared resources, etc., you will want to take a look at how this change effects each entity's ability to produce qualified business income for the 199A deduction.

If you are doing business as a C Corporation, you will have to live with the permanent reduction in the corporate tax rate to 21 percent and the repeal of the corporate alternative minimum tax. Be aware of the changes in the business interest deduction limitation, Net Operating Loss carry back (generally, it doesn't exist anymore for losses occurring after 2017, but you can still carry forward, again with some limits) and other changes effecting C Corporations.

These changes are likely to result in a slew of recommendations for changing entities to take advantage of the reduced rates, the 20 percent deduction, and more. Keep in mind the administrative (and somewhat more costly) requirements of corporations over partnerships, LLCs and sole proprietorships, as well as the greater restrictions on distributions and allocations of income in corporations.

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cost of housing. Trump also signed a resolution of Congress into law that overturned the Volks Recordkeeping Rule. Had it been allowed to stand, the rule would have subjected millions of small businesses to potential citations for paperwork violations but done nothing to improve worker health or safety.

Still, significant work remains to peel back and revisit the accumulated layers of regulations heaped upon small businesses. Specifically, Noel urged Congress and the administration to revisit and/or reform:

- OSHA's multiemployer policy. On construction sites, this policy allows OSHA to issue citations to a general contractor (i.e. a home builder) for safety violations created by subcontractors, even if none of the general contractor's employees are exposed to the hazardous condition.
- EPA's Lead Renovation, Repair and Painting (RRP) Rule. The rule addresses lead-based paint hazards created by remodeling activities in homes built before 1978. NAHB believes the RRP program is needlessly burdensome, costly and fails to provide the tools needed for efficient implementation, which discourages homeowners from using the services of certified renovators. Further, the lack of a reliable, commercially available lead paint test

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Generally speaking, if the nature of income is equal, the after-tax income of an S Corporation will be greater than that of a C Corporation, if you plan to distribute the income to the owners.

If you are leaving the income in the corporation for growth purposes, the new tax rate for C Corporation will generally yield a higher after-tax income.

Bad News with Some Hope

Business Meals

Tax professionals want tax deductions for business meals with clients and prospects. Business owners want those meals deductible, too.

The first reading of the Tax Cut and Jobs Act (TCJA) as passed by Congress clearly indicates business meals and entertainment expense to be disallowed in 2018 through 2025 (when the code reverts to pre-2018 law).

In recent days, we learned that lawmakers did not intend to eliminate business meals with clients and prospects.

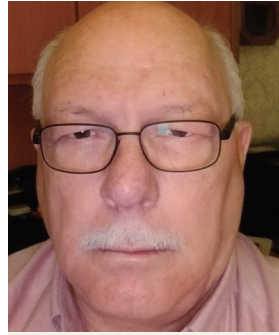
We're not exactly sure how lawmakers can undo what they've done to the tax code in this area, but experience says that if there's a will, there's a way. We think it may take a technical correction to the tax code, but some speculate that legislators could get this done with a Joint Committee on Taxation Bluebook explanation.

Regardless, at the moment this appears to be really good news. Obviously, we would like to see some already-in-place technical action on which we could hang our hat, but that's not going to happen for some time, perhaps many months.

Meanwhile, here's what you need to do:

1. Track and document your client and prospect business meals as you have done (or should have done) in the past.
2. Keep the pressure on your lawmakers, asking them to codify or otherwise clarify that client and prospect business meals are indeed deductible.
3. Hope that client and prospect meals are indeed deductible for all of 2018.

In addition to client and prospect meals, if allowed, business meals are now subject to the 50 percent cut, including travel meals; meals for employees; meals for business meetings of employees, stockholders, agents or directors; and meals at business leagues, chambers of commerce, real estate boards and boards of trade.



Carl "Jack" Herms, CPA, provides tax, advisory and consulting services to the building and construction industry. He is a C-Level executive with expertise in financial and accounting management, taxation,

management and financial systems and procedures, human resources, IT, insurance and contractor and banking relations. He has wide exposure to public, private and family-owned companies, LLCs, partnerships, C and S Corporations, and the tax and management challenges associated with such. He is the chief financial officer for companies ranging in size from \$20 million to \$600 million in revenues, delivering from 60 to 3,000 homes annually. He has negotiated and managed construction lending lines totaling more than \$400 million. He has supervisory experience encompassing a staff of two to 60 persons. Additionally, he has recovered over \$300,000 in taxes and penalties for employer and clients. He can be reached on his direct line at 832-767-4297.

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Design Trends Evolving in 2018

By Kathy Anderson, Eklektik Interiors

With the destruction of Harvey, many homes are being remodeled and refreshed.

A new year brings a new look to Houston homes!

What's in for 2018?

- **Lighting Systems.** Days of the “wall acne” have passed. Double-stacked, four-gang boxes are just NOT attractive! Simplify the lighting system/ switches and clean up the walls, especially in the formal/ entertaining and living areas.



- **Cleaner/ Simpler Millwork.** Simple, deep baseboards with less molding or molding with cleaner lines around windows and doors is in. Also in are solid wood doors with fewer panels or solid slab doors. When using slab doors, think stained. The wood grain adds to the look in a slab door. Stained doors with painted trim is beautiful and adds a touch of warmth to a space.



- **No Built-Ins.** Large wall units have given way to floating shelves of purchased bookcases. Save your monies on the built-ins. Whatever you do, don't use base cabinets with the shelving sitting on top.

- **Floating Shelves.** Great for display but minimal in kitchens. Let's face it, in kitchens we need storage. Leave the floating shelves for accessories in living areas, not so much in the kitchen.



- **Two-Tone Cabinets.** Combining two finishes on cabinets adds character and style. Painted cabinets with wood finishes bring a fresh, new perspective, especially to the all-white sterile kitchens we have been seeing. I prefer a stain on the bottom cabinets because it holds up better, and paint on the uppers. Colored stains are gaining popularity – just be sure they looked stained and not painted. You want to be able to see the grain.

- **Dark Cabinets.** Next year will be all about dark colors, customization and convenience. Black cabinets will take center stage with crisp metallic finishes for hardware and contrasting dramatic backsplashes. With the drama of dark, make sure the look is sleek and sophisticated. A minimalistic look is best with this design aesthetic.



- **Two Islands.** Not all kitchens can accommodate two islands, but having a prep island and a serving island is high on the demand list.

- **Less countertop space.** If you have two islands or one nice size one, do you really need countertops all around the



kitchen? Storage space is key. Counter space is needed around the sink and around the cooktop. Other counter areas are being converted/created to allow for more storage, appliance garages, or accessible pantries. Let's face it, who really wants "counter clutter"?

- **Tech-Less Rooms.** Quiet spaces with no chatter of tech from TVs or computers, just a place to de-stress and detox from the rat race are now in. These places could be a nook or a major room for entertaining, but certainly never with a TV above the fireplace!



- **Warm Neutrals.** Soft beiges, browns, taupes, creams and organic colors are back. Get ready for rich colors and soothing warm palettes.



- **Black Finishes.** Black matte or shiny finishes on hardware, lighting, cabinets, molding, and especially plumbing fixtures are hot on the new horizon. Bringing a design aesthetic from a place of shine and glitz (brass and chrome) to one of a more refined and simplistic minimalism.
- **Statement Ceilings.** Whether it is paint, wallpaper, or texture, pay more attention to the ceilings. They will set a tone and attitude to the space.



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kit means renovators are left in the dark when it comes to compliance.

- Endangered Species Act (ESA) regulations. The current regulations enable the U.S. Fish and Wildlife Service and National Marine Fisheries Service to assert authority over large swaths of land and a broad array of activities that are rarely associated with species conservation. The consultation requirements remain expensive, burdensome and unwieldy for homebuilders and other small businesses.

“The only sure way to safeguard against future bad regulation is to fix the broken regulatory rulemaking

process itself, ensure all regulations are designed with small businesses in mind and restore meaningful congressional oversight to the rulemaking process,” said Noel.

Three bills have already passed the House that would largely accomplish these goals: the Regulatory Accountability Act, the Regulatory Flexibility Improvements Act and the Regulations from the Executive in Need of Scrutiny Act, more commonly known as the REINS Act.

NAHB continues to urge the Senate to take up these important bills.

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