

1031 EXCHANGE INSIGHTS

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IMPROVEMENTS TO REAL PROPERTY AND THE REVERSE EXCHANGE

In Revenue Procedure 2004-51, the IRS tries to clamp down on taxpayers who use a safe harbor reverse exchange to improve land they already own. Through Revenue Procedure 2000-37, taxpayers were selling real estate and

reinvesting the proceeds to fund the construction of improvements, such as a building, on raw land they owned. Taxpayers then were able to defer any tax on the sale and use the tax savings to improve their existing property.

Revenue Procedure 2004-51 tightens this practice, but taxpayers may still be able to build by placing the undeveloped property in an affiliate entity.

Providing tax advice on like kind exchanges.

Strategic Property Exchanges, LLC serves as Qualified Intermediary on

Section 1031 Exchanges, including forward, reverse, and parking arrangements.

DISASTER RELIEF AND DEADLINES FOR EXCHANGES

Taxpayers performing a like-kind exchange have two primary time deadlines: (a) the 45-day requirement to identify property(ies) and (b) the 180-day time period to complete the exchange.

Because of the hurricanes and tropical storms that hit the Southeast this summer, the IRS has issued disaster relief extensions that are believed to give some extra time to affected taxpayers.

Individuals, businesses, qualified intermediaries, and replacement properties located in the Disaster Area may provide a basis for requesting an extension. Further details from the IRS are expected.

For more information call
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YEAR END TAX PLANNING

Many investors purchase and dispose of investment property in the last quarter of the year. Now is an excellent time to review the basics of a Tax Deferred Exchange. There are three basic requirements to be satisfied in order for a gain from the sale to be tax deferred under Section 1031.

Property used in a trade or business or Investment Property is

Sold, and the investor elects to treat the Sale as an Exchange, the proceeds are used to purchase

Property which is of Similar or Like-Kind.

The exchange generally looks like an ordinary sale, the exchange intermediary signs the settlement or closing statement and holds the proceeds for the benefit of the investor. The investor later directs the exchange intermediary to acquire like or similar property with the proceeds.

Coming Next Month

- 2004 Changes and Planning Opportunities