

1031 EXCHANGE INSIGHTS

Volume 2, Issue 4

April 30, 2005



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WHAT IS YOUR CHANCE OF BEING AUDITED ?

What are the chances of being examined? A total of 1,007,874 individual income tax returns were audited during fiscal year 2004 (Oct. 1, 2003 through Sept. 30, 2004) out of a total of 130.1 million individual returns that were filed in calendar year 2003. This works out to 0.77% of all individual returns that were filed. In the prior fiscal year, 849,296 returns were audited; the audit rate was about 0.65

Year-over-year, the number of corporations (including S corporations) audited dropped by almost 25%, from 30,700 in 2003 to 23,499 in 2004. Only 0.32% of small corporations (assets under \$10 million) were audited; for 2003, the audit rate was 0.58%.

Offers in compromise. In fiscal 2004, 106,000 offers in compromise were received by IRS, and 20,000 (18.9%) were accepted. Over recent years, these numbers have been dropping; in 2001, 125,000 offers were

submitted and 39,000 (31.2%) accepted.

The tables are available at the IRS Web site; go to

<http://www.irs.gov/taxstats> and click on "Announcements."

Percentage of returns audited		
	2004	2003
Individuals--Nonbusiness (based on total positive income (TPI))		
Under \$25,000 (1040A)	0.50%	0.51%
All other returns by size of TPI		
Under \$25,000	1.26	1.09
\$25,000 to under \$50,000	0.43	0.30
\$50,000 to under \$100,000	0.44	0.41
\$100,000 and over	1.39	0.98
Individuals filing Schedule C showing gross receipts as indicated		
Under \$25,000	3.15	3.00
\$25,000 to under \$100,000	1.47	1.33
\$100,000 and over	1.86	1.47
Corporations (based on assets)		
Under \$10,000,000	0.32	0.58
\$10,000,000 and over	16.74	12.08
S Corporations	0.19	0.30
Partnerships	0.26	0.35
Estate tax	7.41	6.38
Gift tax	0.69	0.66

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.

For more information call 513-412-3483 or email at steve@robisontaxlaw.com

CAN I DEPRECIATE THAT ?

The Tax Court has ruled that costs incurred by a real estate developer to obtain local agency approval to construct a larger building than would otherwise have been permitted were depreciable be-

cause they had limited useful lives equal to the depreciable life of the resulting building. But the cost of obtaining zoning changes was not depreciable. We have advised property owners on

a variety of tax strategies since 1986. Allow Strategic Property Exchanges, LLC to help minimize your income taxes.

Coming Next Month