

# 1031 EXCHANGE INSIGHTS

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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.

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## ONLY QUALIFIED TAX OPINIONS PROVIDE PROTECTION FROM IRS PENALTIES

On May 18, the IRS clarified the rules governing lawyers and accountants who practice tax law before the IRS, with the Regulations taking effect on June 20, 2005.

These new rules state that any written advice on any transaction whose purpose is the reduction, elimination, avoidance or evasion of any tax (including income tax, corporate tax, estate tax or gift taxes) must adhere to specific guidelines to protect the taxpayer from tax penalties as high as 40%. The opinion must be written by a tax practitioner "knowledgeable in all ar-

reas of tax law". An opinion by an advisor without that background will not protect the taxpayer.

### How does this affect Real Estate Owners and Business Owners engaged in Section 1031 Exchanges?

A Section 1031 Exchange is a strategy designed to avoid taxes. This means that Section 1031 exchanges are governed by these rules. Further, a Section 1031 exchange is exempt from the reportable transaction rules only if it is properly reported according to Rev. Proc. 2004-67.

Rely on Stephen L. Robison, Board Certified in Federal Tax Law, owner of Strategic Property Exchanges, LLC to guide you through the complex rules of Section 1031 and provide to you a tax opinion that will protect you from any tax penalties.

## UNREPORTED INCOME AUDITS PRODUCE DATA

The IRS recently concluded its work on a recent audit of 46,000 2001 tax returns to determine factors which indicate whether taxpayers are underreporting income. These factors will be used to determine if future tax returns merit future scrutiny. Priorities in audits include high income, high risk individuals with complex returns and multiple pass through entities. Typical of real estate owners

## REAL ESTATE SEMINARS

As an avid attendee of Real Estate Seminars all over the Midwest, I am amazed at the scams and abusive transactions that are hawked by Speakers, often selling a book and tape set. Recent examples include "Trusts" that never need to pay taxes and the use of Self Directed IRAs to purchase

and Sell Real Estate. While Self Directed IRA's may, in certain circumstances purchase Real Estate, these legitimate methods are dwarfed by the illicit methods proposed at these Seminars. The IRS has a website at [www.irs.gov](http://www.irs.gov) which provides examples of illegal and illicit transactions.

### COMING NEXT MONTH

- ◆ Recent developments in Reverse Exchanges.
- ◆ Building your Replacement property