

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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Coming Next Month

Can a 1031 Exchange change your life?

HOW CAN A SECTION 1031 BENEFIT YOU?

- ◆ Trading Up. An investor can improve the quality of the investment he or she owns.
- ◆ Change the type of investments, such as management intensive property to less management intensive property; or to change the relative risk in certain types of investment.
- ◆ To improve the rate of return on investments, from non income producing to income producing or from low appreciation potential to high appreciation potential.
- ◆ To provide geographic or economic diversity of investments.
- ◆ To restructure liabilities and reduce federal and state income taxes providing additional capital to invest in additional properties; enabling you to attain financial independence.

ARE SECTION 1031 EXCHANGES RISKY? A LESSON IN RISK MANAGEMENT, OR WHERE GOOD INTENTIONS ARE NOT ENOUGH

When you see your real estate investment soar in value, a 1031 exchange is an easy recommendation, or is it?

Clients naturally feel that their transaction is simple and straightforward. However, in my 20 years as a practicing tax attorney, simple means paying your taxes, complicated means finding a way to reduce your taxes.

Each Property Owner who decides to enter into a 1031 exchange must decide how they will cope with complex tax rules. They will either go it alone, ask a friend, or choose an accomplished tax expert in 1031 exchanges. I find that most errors are based on not

seeking proper tax advice in the beginning.

Example 1. Property Owner, whose closing is two days away, is still negotiating with the buyer regarding terms of an installment sale. The client believes that the installment sale should have no tax consequences [WRONG], and that any gains can be offset by prior passive losses [WRONG].

Example 2. Property Owner recently sold a parcel of real estate and calls to ask about a 1031 exchange. She believes that she can avoid taxes even though the sale happened months ago and she has already received the proceeds from the sale [WRONG].

Example 3. Property Owner, after assuring me that she knows everything there is to know regarding 1031 exchanges (because she is a real estate broker) proceeds to ask me if her transaction will work....but I thought she already knew the answer.....?

Busy attorneys and CPA's can't keep up on the complex tax rules associated with 1031 exchanges. Reduce your risks by using an experienced Board Certified Tax Attorney who knows these rules inside and out. Choose your intermediary based on experience to protect your assets.