

# 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, a  
parking arrangements.

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The **Energy Policy Act of 2005** provides several incentives for consumers to purchase energy-efficient assets. New tax credits are given for the purchase of residential solar heating equipment, certain energy improvements to existing homes, and the construction of new energy-efficient homes. The Act also provides incentives for producers of energy-efficient appliances and contains a multitude of incentives for energy producers.

The costs to design energy-efficient commercial structures or improve the energy efficiency of existing commercial structures is deductible in an amount equal to energy-efficient commercial building property expenditures made by the taxpayer. The deduction can total up to \$1.80 per square foot of the structure.

## Personal Property Exchanges

Like-kind exchanges can defer taxes on the sale of all personal property, including aircraft, fleet vehicles, licenses, patents, franchises, auto, artwork, and other collectibles need for investment or business. The good news here for taxpayers who reinvest through a Section 1031 exchange is that the tax they are deferring is generally LARGER because the rate of tax on personal property exchanges tends to be much higher.

The regulations state that personal property will meet the like-kind requirement if it is of the same general asset class or the same product class. In addition, the requirement can be met if the assets are deemed to be of "like-kind" under general principles. To be considered "like-kind", property must be:

(1) in the same General Asset Classes. Properties are of like class if they are included in the same General Asset Class in IRS Revenue Procedure 87-56 as supplemented from time to time.

(2) in the same Product Class

(3) determined under the regulations to be generally like-kind based on all of the facts and circumstances. IRS Reg. Section 1.1031 (a)-2(c)(1) such as intangible personal property, collectibles, and artwork.

These exchanges require a high degree of expertise. Let us at **Strategic Property Exchanges, LLC** guide you through the rules on Personal Property Exchanges and let us explain our iron clad **Section 1031 guarantee** for you and your clients.