

# 1031 EXCHANGE INSIGHTS

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## Grab Bag of Section 1031 Issues:

One of the first decisions that any investor has to make is whether to treat the sale of their property as an exchange. If the investor decides to do this, then the next decisions are related to the multiple options that are available to him / her.

In the case where the property owner is definitely purchasing a new property, then it almost always makes sense to treat the sale as an exchange. This is a financially astute decision, since there is no reason to pay tax on a sale when you are purchasing one or more properties for equal or greater value.

### What are some of the Options that Investors have in terms of the TYPES of Exchanges??

~ **Forward Exchange:** First, this involves the sale of one or more investment properties. This is followed by a purchase of the replacement property (ies) within 180 days.

~ **Improvement Exchange:** First, this involves the sale of one or more investment properties. This is followed by the purchase and then by the renovation, repair, or rehab of the property during the 180 day period. Cash is used from the exchange account. This saves the investor from having to come up with their own cash to repair or renovate the building.

~ **Reverse Exchange:** First, this involves the purchase of one or more replacement properties. This is followed by the sale of one or more existing properties. The replacement properties can be repaired and renovated, as well, during the exchange period.

~ **Personal Property Exchange:** This involves the sale, and subsequent purchase, of any number of various personal properties. These properties could include: collector cars, art work, coins, bullion, and business property (e.g., trucks and equipment, including equipment that might be affixed to real estate, franchises and other investment property). These exchanges can be treated either as a Forward Exchange or as a Reverse Exchange.

~ **Partnership Interests:** These cannot be exchanged, so it is important to consult with a knowledgeable Qualified Intermediary, such as Strategic Property Exchanges, LLC. In this transaction, the assets are owned by a Limited Liability Company or another Partnership type entity.

Whenever making decisions regarding how to proceed with your investment, I recommend looking at the **most difficult problem** you have to solve first. The solution to this problem usually guides the course of action.

For example, if the most difficult problem that you have is that the property that you wish to buy is difficult to find, then deciding to proceed with a Reverse Exchange may be the best course of action to choose. In this case, you can be sure of buying what you want and not being forced to buy something within 180 days that you don't really want.

Likewise, you may be comfortable with what you want to purchase, but your most difficult problem is that you don't know if your existing property will sell within 180 days. In this case, deciding to proceed with a Forward Exchange may be the best course of action.

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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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**Call Strategic Property Exchanges, LLC today to see if we can help you with your real estate valuation.**