

1031 ADVISOR

Serving the Professional Advisors to Real Estate Clients since 1989



Stephen L. Robison, J.D., LL.M.

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

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1031 Advisor is focused on helping you discover, develop and identify ideas to win clients by reducing their taxes and increasing their wealth.

What Estate Tax Repeal Means for 1031 Exchanges:

On April 13, 2005 the House of Representatives passed 272 to 162 a bill to make the federal estate tax repeal permanent. It goes to the Republican controlled Senate for their consideration now. What does this mean for your clients and Section 1031 exchanges?

First, it means that the value of their wealth, including real estate and business assets will not be subject to federal estate tax at their death.

Children receiving assets from their parents at their death will be treated as if they acquired the property by gift, except that the executor may increase the basis of assets up to their fair market values to a total of a \$1.3 million increase plus an additional \$3 million for surviving spouses. This is certain to put executors in the hot seat. For clients with substantial assets or clients who are unable to substantiate their original cost basis, this will mean significant income taxes on the future sale of investment and business property.

Secondly, since the tax basis of inherited assets will generally be lower than under current law, this will

require additional income tax planning and a greater use of Section 1031 exchanges in the future.

Families that are able to pass on valuable investment and business assets without paying capital gain taxes now and estate taxes in the future will be able to enhance and preserve their wealth to a greater degree than those clients who pay taxes now.

Further, with greater options and flexibility in the Section 1031 exchanges, owners are now able to move freely from high maintenance properties to no management or passive investment properties.

As a practicing tax attorney for the past 20 years, Board Certified in federal tax law and a full time Qualified Intermediary, rely on Stephen L. Robison to help you advise your clients on income tax deferral strategies and provide a tax opinion which will protect (you and) your clients from tax penalties from the IRS.

Be assured that Strategic Property Exchanges, LLC will be there to guide you and your clients every step of the way, no matter how much the tax laws change. Effective January 2004 only a *qualified tax attorney* can protect you and your clients with a tax

opinion for tax deferral strategies. Anything less is not the best!

How to Depreciate Business Assets

IRS issued detailed temporary and proposed regs explaining how to depreciate MACRS property acquired in exchange for like-kind MACRS property under Code Sec. 1031.

In general, the replacement property's basis is treated as if it were two separate properties for depreciation purposes.

The depreciated tax basis of the replacement property is equal to depreciated tax basis of the relinquished property where the purchase price of the replacement property is equal to the sale price of the relinquished property and the original depreciation continues as though the business property were never sold.

Where the purchase price of the replacement property is in excess of the sale price of the relinquished property, the excess is treated as a new business property placed in service on the date of the purchase of the replacement property.