

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.

WHO CAN YOU TURN TO HELP YOU ADVISE CLIENTS REGARDING SECTION 1031 EXCHANGES AND OTHER TAX DEFERRAL METHODS?

Fast, reliable and responsive service from Strategic Property Exchanges LLC. Steve Robison, Esq. has an extensive knowledge of Section 1031 as well as related corporate, individual, trust and partnership taxation. Steve Robi-

son, Esq. is Board Certified in Federal Tax Law, and has been a practicing tax attorney for the past 20 years.

The impact of income taxes on the sale and purchase of business and investment real estate is not just a technical issue.

Taxes paid means cash is not available for other investment needs. Let us guide you and your clients through Section 1031 exchange. Our tax opinions shield you and your clients from penalties and costly mistakes.

RECENT REAL ESTATE TAX ISSUES

Section 179 \$100,000 expense election and the broadened definition of eligible "section 179 property" to include off-the-shelf computer software is extended two more tax years thru 2007. Further, for any tax year beginning after 2002 and before 2008, a Code Sec. 179 election or revocation of the election may be made on an amended federal tax return for the tax year to which the election or revocation applies. The amended return must be filed within the time prescribed for filing an amended return for that tax year. (Reg. § 1.179-5(c))

State disaster relief:

Under a recent revenue ruling, a grant that a corporation received under a state's program to reimburse losses that any qualifying business incurred for damage or destruction of real and personal property on account of a disaster

was taxable. However, the ruling went on to conclude that the qualifying business may elect to defer the gain realized from receipt of the grant under Code Sec. 1033 to the extent the grant proceeds (or other funds in lieu of the grant proceeds) are used to timely purchase property similar or related in service or use to the destroyed or damaged property.

Within the 2-year period prescribed by Code Sec. 1033(a), the corporation purchased for \$150,000 (by using the entire grant proceeds of \$90,000 plus \$60,000 of other funds) equipment to replace the destroyed equipment. The replacement equipment was similar or related in service or in use to the destroyed equipment. The corporation used the replacement equipment in its trade or business since the time of the purchase. X elected under Code Sec. 1033(a)(2)(A) to defer gain realized on the involuntary conversion of its

equipment into money.

Depreciation of Deferred Exchanges. Taxpayers may recognize depreciation on the relinquished MACRS property during the period between the disposition of the relinquished property and the acquisition of the replacement MACRS property under Temporary Regulations 1.168(i)-6T(c)(5)(iii).

Teruya Brothers Ltd. v. Commissioner, 124 TC #4 (February 9, 2005). This case involved the sale of two properties [relinquished properties] thru the use of a Qualified Intermediary to an unrelated third party followed by the purchase of the Replacement property from a related entity. The Tax Court held that the use of the Qualified Intermediary did not prevent the transaction from being disallowed by the related party rules under Section 1031 (f).