



How to Turn Your Old Slow-Market Property into a New Up-Market Treasure

If the real estate market is slowing in one area, it's usually growing in another. Thanks to a broad IRS definition, real estate investors have the flexibility to get out of a down market and get into an up one – and avoid a large tax liability.

What's it all about?

It's called a 1031 Exchange, and even if you've heard about it or even used before, there may be a few details that you're unaware of. Basically, this IRS tax code allows real estate investors to trade one investment property for another while deferring payment on any capital gains taxes.

What can I trade?

Your original property must be held for business purposes or as an investment, such as commercial buildings, rental units, vacant land, etc. It can also include "personal property", which basically means anything of value – as long as it is held for investment or business purposes. The property you're buying must be the same type as what you are selling – what the IRS refers to as "like-kind".

What is "like-kind" property?

That's the beauty of the 1031 Exchange. The IRS defines "like-kind" property broadly. Almost any property can be traded for any other. The only caveat is that the property must be located within the 50 United States and be "held for investment or used for business". So you can exchange an empty lot in the country for an improved lot in the city. Foreign real estate and properties in a U.S. territory or possession do not qualify.

What does “trade” mean?

Simply put, it means buy and sell. The property you “trade” does not have to be an actual exchange with a particular party. You can sell your property to any buyer and you can buy your replacement property from any seller. The key is that when you sell your property, you must replace it with another “like-kind” property within a set time frame.

How do I benefit as an owner of investment property?

If you own commercial, rental or other investment property within the 50 United States, you can most likely exchange it for a “like-kind” property anywhere else in the United States. For instance, imagine that you bought a great investment property in Nevada a few years ago. The Nevada market is now slowing a bit, but there are great opportunities in the growing Florida market. You can sell your Nevada property, buy one in Florida and defer payment of your capital gains tax.

Because the 1031 Exchange works on a national level, it gives you as a property investor, a great deal of flexibility and could save you a great deal of tax money.

I’m sold on the 1031 Exchange! How do I get started?

The best place to start any real estate transaction is with a trusted REALTOR® partner. Your NoSnow real estate agent can help you identify emerging real estate markets and specific properties within that market. We can also refer you to a 1031 Exchange expert. You’ll want to get assistance with your exchange from a professional who is familiar, experienced and comfortable with IRS requirements.

**For more information on 1031 Exchanges, or to buy or sell a property,
call The Parlante Group at 1-800-562-0233,
email us at info@NoSnowNaples.com
or visit our web site: www.NoSnowNaples.com**