

Corporate Title Exchange Services



"Your 1031 Exchange Specialist"



Corporate Title Exchange Services is pleased to bring you its first newsletter designed to update you on any recent changes and address 1031 exchange issues on which you may have questions. Should you have any items which you would like to see addressed, we welcome your feedback.

Did you know?

Corporate Title Exchange Services is a member of the **Federation of Exchange Accommodators**, a nationally recognized professional trade association for Qualified Intermediaries, which strives to promote the highest professional and ethical standards relative

to tax-deferred exchanges. Maura A. Snabes, Esq., principal, is also a Certified Exchange Specialist (CES), which is a distinction given by the Federation of Exchange Accommodators after successful completion of an intense exam relative to all aspects of 1031 exchanges. Maura is one of only 7 Certified Exchange

Specialists in the State of Michigan and the only one in Northwest Michigan. Maura A. Snabes, Esq. and Jerome E. Jelinek, Esq. are principals of **Corporate Title Exchange Services**, and are available to handle all of your 1031 exchange needs.

Recent Letter Rulings, Regulations, Announcements, etc...

In **LTR 200701008**, The Service ruled that a like-kind exchange by an operating partnership in which a real estate investment trust (REIT) is a partner, will not be taken into account as a sale of property and is not a prohibited transaction for purposes of the 100% penalty under section 857(b)(6). Generally, the Code (Section 857(b)(6)(A)), imposes a 100% tax on a REIT's net income from prohibited

transactions. In the case at hand that had been analyzed, the Trust's proposed transaction was consistent with the Congressional intent of allowing REIT's to modify their portfolios without incurring a tax. The Trust was also able to show that it's 1031 exchange satisfied the requirements for both deferred exchanges and the safe harbor for reverse exchanges. Thus, the disposition of the property as part of the Exchange was not taken into account as a sale of

property and the property was not treated as property sold for purposes only applying 857(b)(6)(C)(iii) of the Code.



Coming Soon!

Corporate Title Exchange Services is in the process of updating its website. In the near future, we will have a 45/180 day calculator available so that a taxpayer can readily ascertain when his identification and acquisition periods are, so that a deadline will not be missed! We will also be establishing a capital gains calculator on the site.

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Advantages of a Section 1031 tax-deferred exchange.

Although you may already be aware of the many benefits of effectuating a 1031 tax-deferred exchange, you may not be aware of all of them. Below is a list of the many advantages of a 1031 exchange:

- Taxpayer's ability to use the entire equity in the relinquished property to acquire the replacement property.
- A taxpayer who has multiple properties or who has rental properties and would like to consolidate his investments or remove himself from the management standpoint could replace his relinquished properties with one replacement or a replacement which removes the management aspect.
- Taxpayers have the opportunity to leverage their investments and obtain appreciation on someone's funds such as an institutional lender, a seller who financed the purchase in whole or in part or on the taxes saved by effectuating a 1031 exchange.
- Greater cash flow by exchanging out of vacant land into income-producing property.
- Relocation of investment. If the taxpayer wants to relocate to a different state or needs to acquire a larger facility to meet his needs, a 1031 may be ideal. A taxpayer may also be able to avoid a state's income tax on the gain altogether when relocating to another state which may not have that same income tax upon sale.
- Exchange from low-basis to high-basis property. A taxpayer may obtain benefits by shifting the substituted tax basis from nondepreciable property to depreciable property in some instances.
- Conversion of Investment. If a taxpayer acquires qualifying property in a 1031 exchange, holds that property as such for 2 years or more and then converts to a principal residence and holds it for at least 3 more years and then sells the property, the taxpayer may completely avoid paying gain on the sale of the property (up to \$250,000 for single taxpayer and \$500,000 for married couple filing jointly).
- Stepped-up basis. Currently, the way that the estate tax laws are written, an heir would get a stepped-up basis upon the death of the taxpayer. Therefore, if the heir sells the property at the price of the value of the property at the date of the death of the taxpayer, there will be no gain.

**Need more information on 1031 Exchanges? Contact us
directly or visit us on the web at:**

www.CTExchange.com