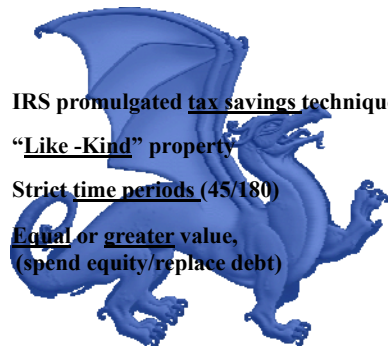


Starker Services, Inc.

- Course Objectives:
 - Understand Section 1031 technical rules
 - Compare “Like Kind” Alternatives
 - Implement Strategies for Using 1031
 - Walk & Talk “1031” !
 - Never Pay Taxes Again!

Essential Elements of a 1031 Exchange

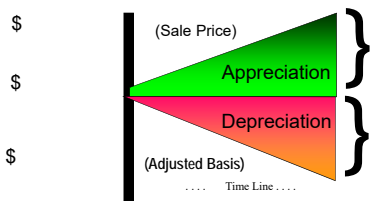
- IRS promulgated tax savings technique
- “Like-Kind” property
- Strict time periods (45/180)
- Equal or greater value,
(spend equity/replace debt)

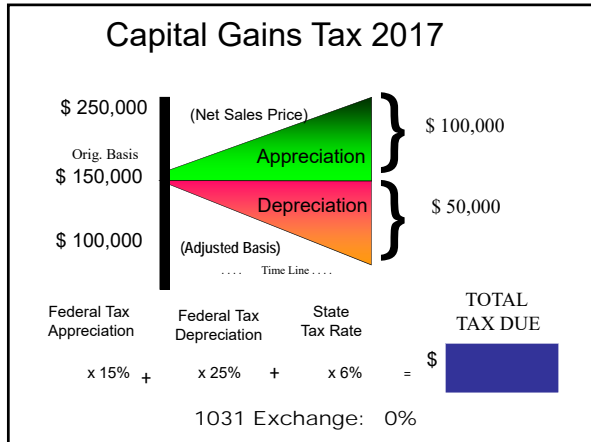


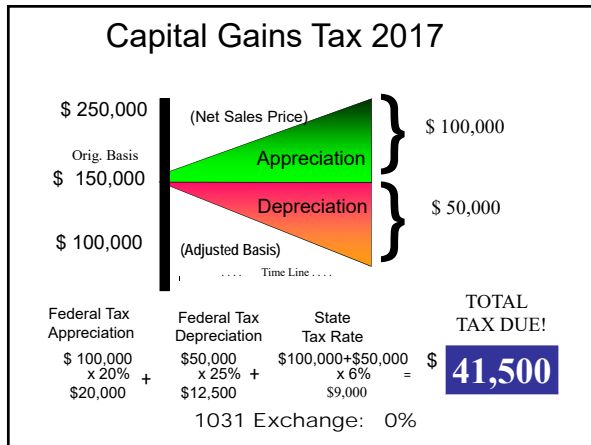
Relevant Tax Legislation

- Starker Family Cases (1970's)
 - Multiple properties and court cases
 - No time requirements
 - Starker prevails over IRS!
- 1997 Taxpayer Relief Act
 - Capital gains tax rate 20%, Depreciation 25%
 - Primary residence exclusion (\$250,000/\$500,000)
- 2017 Tax Cut and Jobs Act
 - Preserved 1031 for real estate, eliminated personal property
 - Enacted immediate expensing
 - Created Opportunity Zone legislation

Capital Gains Tax 2017

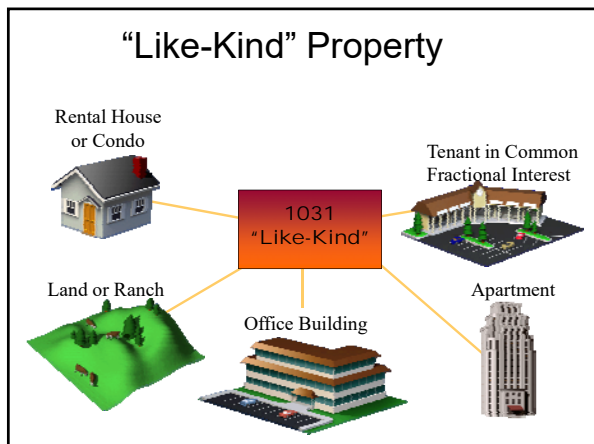






IRC Section 1031

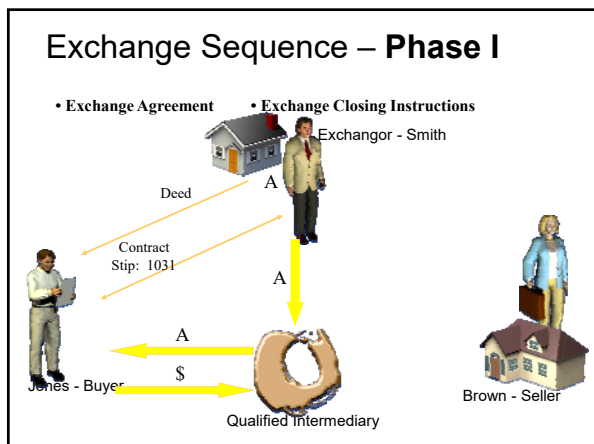
(1) IN GENERAL - No gain or loss shall be recognized on the exchange of property held for productive use in a trade or business or for investment if such property is exchanged solely for property of like kind which is to be held either for productive use in a trade or business or for investment.

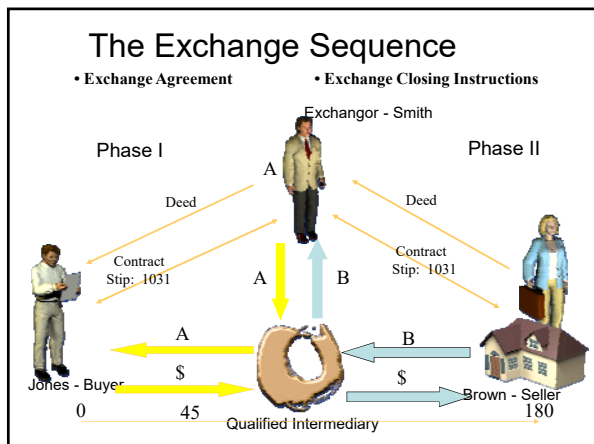


“Vacation Property”

Rev. Proc. 2008-16 – Safe Harbor for “Vacation Property”

- IRS: “Dwelling unit held for rental income... also used for personal purposes... will qualify as Like Kind... even if occasionally used personally
- What is occasionally? 2 Year Rules
 - √ Required rental > 14 days for each of 2 yrs...
 - √ Minimal use: Up to 14 days for each of 2 yrs...
 - √ Before and after the exchange for a total of 4 yrs
- Maintenance Exception – Days working on Property... Don't Count!






The Napkin Test

	Sale Property	Purchase Property
Sale Price	\$ 250,000	\$ 400,000
Equity	\$ 150,000	\$ 150,000
Mortgage	\$ 100,000	\$ 250,000

If equal or greater - a totally tax deferred exchange

Creating Cash Boot

	Sale Property	Purchase Property
Sale Price	\$ 250,000	\$ 300,000
Equity	\$ 150,000	\$ 100,000
Mortgage	\$ 100,000	\$200,000

 - Cash Boot \$50,000

Case Study - Family Farm "Combination"



TOTAL SALE \$2,500,000
Farm - (95 acres) (\$1031)
\$ 2,250,000
Home - (5 acres) (\$121)
\$ 250,000
-\$ 250,000 single exclusion
\$0 Tax Liability

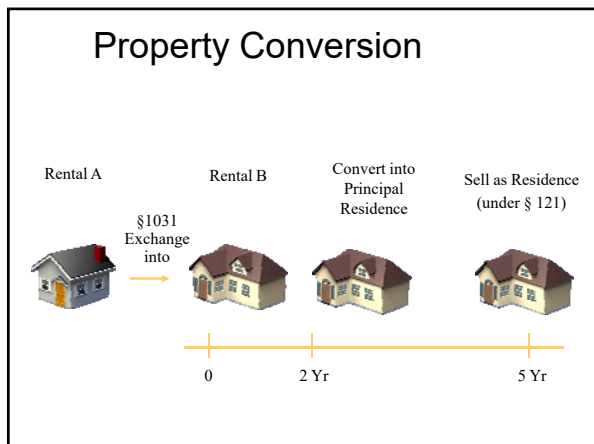


Reverse Exchanges

- Acquire replacement prior to relinquishing property
- Previously considered aggressive
- Approved by IRS in 2000
- "Safe Harbor" technique is available
- Two variations of reverse exchanges

Challenges with Reverses

- Must use QEAA for "Safe Harbor"
 - (Qualified Exchange Accommodation Agreement)
- Exchangor permitted activities:
 - Make and guaranty loans
 - Lease property from the "AT"
 - Manage the property and supervise improvements
 - Act as the contractor to build property
- Lender may have difficulty with AT owner
- Insurance to cover the AT must be obtained
- Financial strength necessary by exchangor



Conclusion, Q&A, Announcements

Reasons to Exchange:

- Obtain a larger property**
- Consolidation**
- Diversification**
- Convert the Investment Nature**
- Relocation**
- Retirement Planning**

Benefit: Investors accomplish investment goals and defer taxes

Thanks for attending today's program!

***Presented by John Mangham of
Starker Services, Inc.***

For information or copies of our
"Black Brochure"
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Website: www.starker.com
