

1031 Exchanges for Tax Relief



Investors in real estate have benefitted from a recovery that is taking prices to highs not seen since before the 2008 market crash. If you're ready to sell that investment or rental property and pocket the profits, just remember—the government will want its fair share of the profits, and that can be quite a bite.

But real estate investors have a way to defer that tax bill indefinitely, and it's legal. Rather than selling investment property for cash, you can swap your investment property for another—or for a group of properties—of equal or great value under Section 1031 of the Internal Revenue Code. The investor owes no taxes until the new property (or properties) is sold, but at that point the investor must calculate the capital gains based on the cost basis of the original property, not the new one. Done right, one or more 1031 exchanges can allow you to defer capital gains taxes on investment or rental real estate for a long time to come; if you keep the chain going, your heirs can take possession of your properties and sell them without paying the capital gains taxes you would owe, thanks to the step-up in basis.¹ The rules for these transactions, called 1031 Exchanges, are strict and require an expert's help, so talk to us before you start and make sure the strategy is appropriate.

Business properties, investment properties and rental properties are eligible for 1031 exchanges. Your home is not. But your vacation home may be, if you rent it regularly and use it yourself no more than 14 days per year or 10% of the number of days you rent it.

The property exchange isn't an actual simultaneous "trade." You have 45 days to identify the replacement property for the swap, and 180 days to close the deal. You may think this is plenty of time, but it's not, when you consider that properties are mortgaged, businesses may need to relocate, and you may need to identify and close on more than one property to complete the exchange.

Business owners can use a 1031 exchange to swap business assets like cars, trucks and planes. The rules, however, require that a car be swapped for another car, a truck

for a truck, etc. Hence you can't swap property for other types of real assets, and vice versa: the swap must be for a "like-kind" asset.²

Most 1031 exchanges require the use of a professional called a Qualified Intermediary or Facilitator. This person handles many aspects of the exchange, including acquiring the relinquished property from the seller and transferring it to the buyer, and the reverse. It is imperative that the detailed, complicated 1031 exchange rules are adhered to. The Facilitator makes sure that happens so it is important to get expert help before and during this process. If you are thinking about selling real estate, please consult with us.

Have a great Labor Day weekend!

Source: Efficient Advisors

Golf Tip of the Week



How to Use a Lob Wedge

Golfers sometimes face a situation in which they have little turf to work with to get their ball onto the green. Or they must chip the ball over a bunker with little landing area. The lob wedge is a perfect tool for these difficult shots. Its 60-degree loft is ideal for a 60-yard distance or less.

- Position the ball close to your feet and not far back in your stance.
- Open your stance so your feet and body are aligned slightly left of the target.
- Grip down on the club for more control.

- Make your backswing steeper than you would for a normal chip or pitch shot. Keep your wrists cocked just before impact and pull the club down to the ball with your arms and body weight.
- Follow through with your right shoulder lower than your left. Your head should naturally turn to face the target. Stay balanced in the completion of your follow-through.

Tip courtesy of Golf Week Magazineⁱ

Recipe of the Week



Grilled Halibut and Fresh Mango Salsa

Serves 4

Ingredients:

2 cups plum tomatoes, seeded and diced
1-½ cups diced peeled ripe mango
½ cup diced onion
½ cup chopped fresh cilantro
2 TBSP fresh lime juice
1 TBSP cider vinegar
1 tsp sugar
1 tsp salt, divided
1 tsp black pepper, divided
2 cloves garlic, minced
4 (6-ounce) halibut fillets
1 TBSP olive oil

Directions:

1. Prepare grill.
2. Combine first 7 ingredients. Stir in ½ tsp salt, ½ tsp pepper, and garlic.

3. Rub halibut with oil; sprinkle with ½ tsp salt and ½ tsp pepper. Place fish on grill rack; grill 3 minutes on each side or until fish flakes easily when tested with a fork. Serve with mango salsa.

Recipe adapted from My Recipesⁱⁱ

Health Tip of the Week



Flu Season is Around the Corner

Flu is a contagious respiratory disease that infects the nose, throat, and lungs. People often confuse the common cold for flu because the symptoms are similar. Be that as it may, colds are usually milder than flu. Flu can lead to serious complications, hospitalization, or even death. Pneumonia and bronchitis are examples of serious flu-related complications.

The Centers for Disease Control, along with the American Academy of Pediatrics, the American Medical Association, the National Foundation of Infectious Diseases, and other organizations, recommend getting a flu vaccine each year because new vaccines are developed to protect against flu viruses that research shows will be most common that year.

While how well the flu vaccine works can vary, the CDC says there are plenty of good reasons to get a flu vaccination every year. Flu vaccines can:

- Keep you from getting sick from flu.
- Help protect people who are at greater risk of getting seriously ill from flu, like pregnant women, older adults, people with chronic health conditions, and young children (especially infants younger than 6 months old who are too young to get vaccinated).
- Possibly make your illness milder if you do get sick.
- Reduce the risk of more serious flu outcomes, like hospitalizations.

Tips courtesy of CDCⁱⁱⁱ

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Footnotes:

¹[1031Corp.com: When 1031 Deferred Gain is Forgiven](#)

²[ThinkAdvisor: 1031 real estate exchanges: A quick primer](#)

Additional Sources:

- [Investopedia: Avoid capital gains tax on your home sale](#)
- [Kiplingers: When you make your vacation home a business](#)
- [RealWealthNetwork: How To Do a 1031 Exchange: Important Rules & Definitions To Know for 2017](#)

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ⁱ <http://golftips.golfweek.com/use-lob-wedge-1306.html>

ⁱⁱ <http://www.myrecipes.com/recipe/grilled-halibut-fresh-mango-salsa>

ⁱⁱⁱ <https://www.cdc.gov/Features/FLU/>