

COMPLIMENTS OF:



THE POWER OF EXCHANGE

Valuable Information for Real Estate Professionals and their Clients

FARM AND RANCH EXCHANGES:

“USE TWO TAX CODE SECTIONS TO YOUR ADVANTAGE”

ONE SALE – TWICE THE TAX BREAKS!

Sellers of farms and ranches are able to take advantage of two different tax code sections to minimize capital gain tax liabilities. By utilizing all the opportunities available in the tax code, many ranch and farm owners can both meet many of their investment objectives and defer — potentially indefinitely — capital gain taxes!

The sale of a farm or ranch typically involves selling a house along with a significant amount of land used in the operation of the farm or ranch. The house, along with a limited amount of land, can qualify for tax exclusion as noted under the “Benefits of IRC Section 121.” The remainder of the farm or ranch land can qualify for an IRC Section 1031 tax deferred exchange. All this is possible even though there is one buyer for the entire property.

BENEFITS OF IRC SECTION 121

The 1997 Taxpayer Relief Act provided homeowners significant tax advantages on the sale of a primary residence. Section 121 of the tax code allows a homeowner to exclude capital gain taxes if they meet the following requirements:

- ◆ Couples filing a joint tax return can exclude up to \$500,000 of the capital gain on the sale of their primary residence, and single filers can exclude up to \$250,000.
- ◆ The home must have been the primary residence of both spouses two of the last five years.
- ◆ The exclusion is available once every two years.

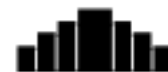
WHAT IS AN IRC SECTION 1031 EXCHANGE?

Section 1031 of the Internal Revenue Code allows an owner of property “held for productive use in a trade or business” or “held for investment” to exchange for another “like-kind” property and defer paying capital gain taxes. Although there are some misconceptions this requires exchanging a ranch for another ranch, the definition of “like-kind” property is very broad. For example, a property owner can exchange out of a farm or ranch and acquire:

- ◆ Single family rental, duplex or triplex
- ◆ Apartment or commercial property
- ◆ Another farm or ranch property
- ◆ Vacation home primarily “held for investment”

WHAT IS NEEDED TO ACCOMPLISH THIS?

A good accountant or real estate attorney is often needed to determine the value of the residence portion of the transaction and the land used in the farm or ranch operation. An experienced “Qualified Intermediary” is essential to a successful exchange. Call the experts at Asset Preservation to learn more!



ASSET PRESERVATION, INC.

A National IRC §1031 “Qualified Intermediary”

(800) 282-1031 www.apixchange.com

This information is not intended to replace qualified legal and/or tax advisors. Every taxpayer should review their specific transaction with their own legal and/or tax counsel.
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