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Is it time to reposition your assets?

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This time of year investors step back, review their portfolios and revise their strategies for 2011. As for real estate, appreciation is not the golden egg it once was as a reason to hold property, and as such owners are analyzing their properties, looking for ways to lower tax liability and improve cash flow.

Looking at the bigger picture, utilizing a 1031 Tax Deferred Exchange now to reposition assets may afford the investor greater cash flow and appreciation over time. Even though the gains may not be great, exchanging allows the taxpayer to keep more of their money working for them, rolling it into new property which may be a better purchase now with the added incentive the value will grow over time, affording greater gains in future years.

Sales prices are not as high as they once were, but unless the property was purchased at the market's height, there's probably a gain. Some advisors feel investors should "just pay the tax" and be done...but it's not just the 15%...

In addition to the Federal Capital Gains Tax, Federal Depreciation Recapture Tax (25%) and applicable State Capital Gains Tax (5-10%) is realized upon disposition. Additionally, many states institute a non-residence withholding tax; and let's not forget the Alternative Minimum Tax (AMT) - the receipt of gain from a sale could push the taxpayer into a situation where their AMT exemption is eliminated. By enacting a 1031 Exchange, all these taxes could be deferred!

Think there is no need to exchange? Think again - even in a down economy, IRC Â§1031 is vital to investors looking for options to reposition assets, generate more cash flow, protect their estate and of course, not pay taxes.

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