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Review, regroup and resolve to save

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As if the constant snow storms slowing down our work life and our home life aren't enough stress, its tax time, which means organizing receipts, gathering documentation and completing the requested tax summaries for advisors preparing our tax returns.

In the midst of all of that, tax season can create some positive results. It obliges you to review how things went last year, praise yourself for the good financial decisions made, and reminds you not to repeat choices having a negative tax consequence. One of the most frustrating calls we receive here at IPX1031 is when the investor has already closed on the sale property, received the funds and then realizes 30-40% of the gain is due as a result of depreciation recapture, capital gains (federal and state) and the Healthcare tax. Now they want to participate in a Tax Deferred Exchange. Unfortunately, it can't be done - once title passes, it's too late!

Reflecting, you recall the broker had mentioned early that IRS Regulations allow property owners to defer the taxes, keep the equity and roll it into new investment property; and the attorney added language to the Agreement noting your option to perform a 1031 Exchange. Nevertheless in the end you delay calling your tax advisor, decide it's not worth the hassle to look into, so you skip it. Not taking that one extra step cost you approximately 1/3 of your gain...ouch!

Arguably a 1031 Exchange isn't just beneficial for the taxpayer - its business for all those involved in the transaction: brokers, legal and tax counsel, financial institutions, ancillary services, etc. in a variety of industries including real estate, agriculture, manufacturing and equipment leasing. Investors taking the time to investigate will realize the positive financial and transactional merits of a 1031 Exchange.

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