

THE EXCHANGER'S PRESS

Volume 2 No. 1

Compliments of Casterline Henriksbo Exchange Service Company

TAX DEFERRED EXCHANGES LEVERAGE INVESTMENT

One of the last tax shelters is an IRC Section 1031 exchange. In this exchange, the owner is able to defer paying taxes if all proceeds are used to buy another investment and if the debt on the replacement property is the same or greater than the debt on the relinquished property.



Who exchanges? Investors who want to leverage profit on their investments; retirees who move their real estate investments with them; refugees from California.

What is a tax deferred exchange? It is a way the basis and gain in property which is held for productive use in a trade or business or for investment is exchanged for other "like kind" property to be held in the same way. Examples can include bare land, rentals, office buildings, motels and timberland. Ineligible are a primary residence, second homes and property which is not real estate like a mobile home or houseboat.

When ready to exchange, find a qualified escrow officer, talk to an experienced CPA and call an experienced accommodator like Casterline Henriksbo Exchange Service Company. The property is assigned to and sold by the accommodator who receives the proceeds. The accommodator will use the proceeds to buy the replacement property. The investor has 45 days to identify potential replacements and 180 days to finish the exchange

WHEN DO YOU NEED AN ACCOMMODATOR?

In a two party simultaneous exchange there is no need for an accommodator. The parties trade with each other. In a three party simultaneous exchange, an accommodator is not necessary as long as one of the parties is willing to assist by temporarily taking title to property he does not want in order to get the property he does want.

In a non-simultaneous exchange, an accommodator is needed to hold proceeds and property free from actual or constructive receipt by the taxpayer. Why can't you just leave the money in escrow? That is constructive receipt.

If improvements are needed on the replacement property, an accommodator will be necessary. If a reverse exchange is necessary, an accommodator will be needed to help separate the title to the properties.

Who should you choose as your accommodator? The exchanger needs a professional who meets the requirements set out in the Section 1031 regulations. The exchanger needs an experienced professional such as you find when you work with Casterline Henriksbo Exchange Service Company.

Call us when we can be of assistance.



If you are thinking about exchanging your property, give us a call at 1-800-559-9737 for free information to get you started.



WHY TALK TO YOUR CPA?

The exchanger's CPA is an important person in your exchange. The CPA will know facts not known to anyone else. These will help you decide if an exchange is right for you. These facts might include:

- *The basis of the relinquished property*
- *Writeoffs available to the exchanger which will reduce tax liability*
- *Eligibility of the property for an exchange*

See your CPA early to help with decision making and tax strategies.

CASTERLINE HENRIKSBO EXCHANGE SERVICE COMPANY
is a proud member of both the FEA and CCIM organizations.



WHY DO A REVERSE EXCHANGE?

A reverse exchange is usually one in which the exchanger is forced into a position where the exchanger must acquire the replacement property before the relinquished property is sold. In such a case, the replacement property purchase cannot be delayed until the relinquished property sells. This will happen in a seller's market (like 2005) but can also happen because of circumstances beyond the seller's control such as a bargain sale based on a foreclosure.

However, some exchangers use reverse exchanges as an investment strategy.

Reverse exchanges are more expensive than a forward exchange. This is partly due to the complexity of this form of exchange. In addition, the exchange accommodator assumes additional liability. There are advantages despite the additional premium. One big problem in most exchanges is the need to identify a replacement property within the 45 day identification period. The exchanger sometimes has to choose a less satisfactory property, possibly for a higher price. This leads to emotional and financial stress.

On your next exchange consider this strategy: get your relinquished property ready to sell but hold it off the market until you find your ideal replacement property. When you find it, sign the purchase agreement and set a closing date as far in the future as the seller will allow. Then market your relinquished property. If it sells for a fair price quickly, you can do the forward exchange. If it does not close before your replacement property closes, you can do a reverse exchange. Either way, you have a win-win: you have the property you want and you have the flexibility to get the best possible price for your relinquished property.

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Bring your exchanges to the experts.
"We wrote the book on exchanges."
Want more information?
Just give me a call at 1-800-559-9737
for our fact filled materials.



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