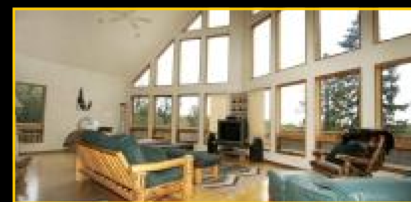
Linda Pinkul Mountain Homes of Denver

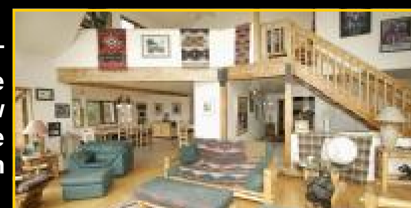
FOR SALE
Outstanding Home with Guest House!

$675,000
http://www.mountainhomesofdenver.comproperty_details_9450_greeningdrive.htm

Call for a private showing!
303.956.4068



5028 SQ FT
1434 Guest House
5 Private Acres with View
3-Car Garage
Open Floor Plan



1031 Exchange
Do's & Don'ts

Do Advanced Planning
Do Talk with Tax Accountant
Do Know the Basic Rules
Do Attempt to Sell Before Purchase

Do Invest All Exchange Proceeds
Do Find "Like" Replacement Property
Do Talk With A Qualified Intermediary
Do Identify Maximum Allowed Properties

Don't Miss Identification Deadline
Don't Miss Exchange Deadline
Don't Dissolve Partnerships During Exchange
Don't File Taxes Until Exchange Completed

FEELING LIKE YOU HAVE TO BEG, BARK OR GROWL TO BE HEARD?

Obedient, Loyal & Trustworthy

and so am I!

LINDA PINKUL

1031 Exchange in Real Estate Investing

FOR RETIRED music teachers John and Sandra Stouffer, real estate investing has been a successful path to wealth. Since the mid-1990s, they've sold eight properties, netting half a million dollars, and bought 14 more, trading up from one- and two-family rental properties to apartment buildings and, most recently, houses in affluent neighborhoods near their Media, Pa. home.

Their 16-property portfolio is now worth some $3.5 million. "I've done much better here than in the stock market," says John. Best of all, the couple haven't paid federal capital gains taxes on a single sale.

What the Stouffers have taken advantage of is a decades-old tax law that lets you roll the gains on one investment property into another without incurring a tax bill. This strategy-called a like-kind / 1031 exchange after the IRS code establishing it-is attracting more attention today with the real estate market so strong. (The median price of second homes-including vacation and investment properties-soared 27% from 1999 to 2001, according to the National Association of Realtors, well outpacing gains on primary residences.) These exchanges are also becoming more common among pre-retirees who buy rental homes where they intend to retire one day.

What properties qualify?

With a 1031 exchange, you can defer capital-gains taxes on the sale of an investment property by reinvesting in another holding of equal or greater value. (If your replacement property costs less than your old one, you may face a tax bill.) You can exchange any type of investment property-from a vacation rental to commercial real estate -but the swap cannot involve a home you live in now.

That's important if you're flipping a piece of property to buy a vacation house you'd like to rent now and live in later. A vacation home can be disqualified as a like-kind property if you occupy it for more than 14 days a year. Even though there's no firm rule about how long you must maintain the property as an investment, experts recommend at least two years. "There better be a clear intent for investment purposes," cautions Max Hansen, president of the Federation of Exchange Accommodators(FEA), a 1031 industry trade group.

What help you need?

Here's the reason 1031 exchanges aren't do-it yourself projects: You cannot sell a property and then buy another directly. Instead, you must use a middleman, who sells the property on your behalf, buys the next one and then transfers the deed to you.

According to IRS rules, neither your attorney, accountant or broker nor certain other pros you do business with can be your middleman. Nor can a parent, child or sibling. Those restrictions have spawned an industry devoted to 1031 exchanges "qualified intermediaries" (QI) or exchange accommodators" who are often affiliated with title companies. Their services cost from $250 to $1,000 (or more for a complex or multimillion-dollar deal).

There's no professional accreditation for these pros, although many belong to the FEA (916-388-1031; www.1031.org), which is establishing a credential for QI's. Before you hire a pro, ask for references and make sure he or she has insurance-- both fidelity and errs-and-omission, which cover you against fraud or negligence by the QI.

Why time is critical?

Within 45 days of closing on your old property, you must identify up to three potential replacements by sending a written notice to the seller or your QI. Then you have another 135 days to complete the purchase. If the tax-filing deadline falls earlier, that's your deadline. But you can extend it by filing for an extension on your taxes.

I
LOVE
REFERRALS

30801 Stagecoach Blvd
Evergreen, CO 80439
303.956.4068

Exceptional Homes…Exceptional Service