

By Doug Stives, CPA, Curchin 1031 Exchange

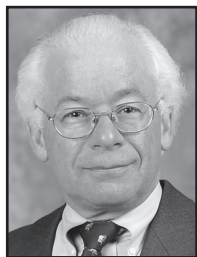
Frequently asked questions when dealing with IRC 1031

Can you sell one property and purchase several?

Yes, for example, a one million dollar property can be replaced with several lower cost properties.

Can the sale of a fractional interest qualify for Section 1031?

Yes, fractional interests



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are usually known as Tenancies In Common (TIC). TIC's can be sold and replaced either with another TIC or a 100% interest in replacement property. Likewise, a TIC qualifies as replacement property. TIC's are excellent candidates for alternative replacements. For example, if a seller is having difficulty finding suitable replacement property, a TIC can provide a solution. There are numerous brokers around the country specializing in TIC's. Typical TIC offerings

are fractional shares of office buildings or apartment complexes.

Can a seller take some cash from the closing?

Yes, but the amount taken will be subject to tax.

Must the entire sales proceeds be reinvested?

No, but any cash or reduction in loan is considered taxable "boot".

What are the current rates of tax applicable to gains from real estate?

For Federal Income Tax, the rates for 2005 start at 5% for single taxpayers with Taxable

income under \$29,700 and under \$59,400 for married taxpayers. The top rate is 15% except where depreciation is recaptured which can result in a top capital gains rate of

25%. Applicable State Income tax rates add to the cost. For example, it states such as New Jersey and California, state income tax can increase the rate by 9%. ■

Methods to permanently avoid tax on real estate profits

Some investors are reluctant to utilize Section 1031 because they fear being taxed eventually and possibly at higher income tax rates. Three considerations should be considered:

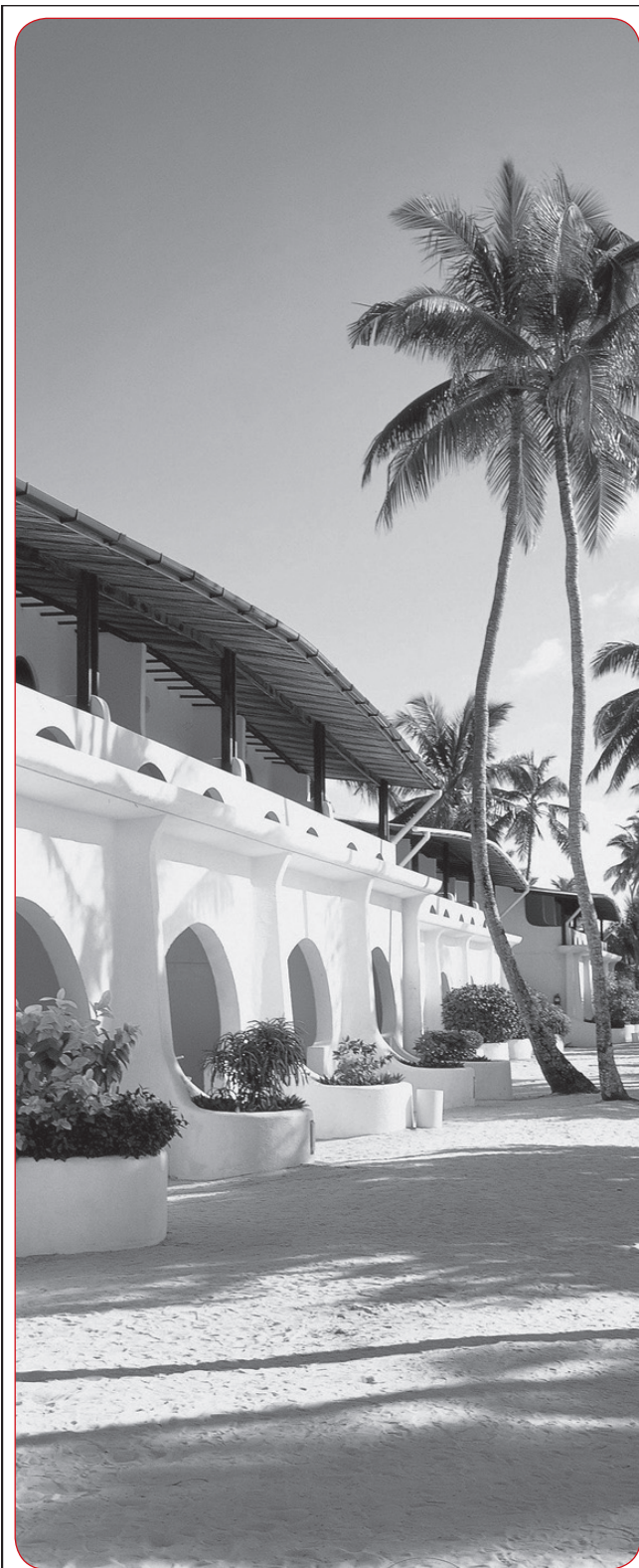
1. Die with the replacement property. If a taxpayer defers tax on one or several Like Kind Exchanges, and leaves the last owned property(ies) in an estate, the heirs will never pay of the gain. In fact the heirs will take over the property with the date of death basis or so called "stepped up" basis.

2. Donate the property to a charity. By contributing property to a charity, capital gains are avoided completely. A popular way to make a charitable contribution of appreciated property is through a charitable remainder trust, which allow the donor to receive income for life while removing the appreciated property from their estates.

3. Gift all or part of the property to family members who are in lower tax brackets. Wealthy families often establish family partnerships to distribute property to children, grandchildren or other family members. If real estate purchased using Section 1031 is gifted in this manner, the recipients can later sell the property and in many cases pay less tax than the donor would have paid due to having less income and being in a lower tax bracket.

Doug Stives is a CPA with 36 years experience. He started Curchin 1031 Exchange to service clients of other CPA's and referral sources. Doug has been quoted in The New York Times, Wall Street Journal, USA Today, Forbes and other national publications. He appears regularly in CNBC, CNN and other networks. Doug has participated in continuing education courses and conferences for CPA's and realtors in 38 states and 3 foreign countries.

Curchin 1031 Exchange is headquarterd in Red Bank, NJ. ■



Curchin 1031 Exchange, LLC is a qualified intermediary for 1031 Like-Kind Exchanges. Our mission is to ensure that our clients' real estate transactions are efficient and comply with the complex IRS Code Section 1031.

Since we are a division of The Curchin Group, LLC, a certified public accounting firm with a 50 year history, our clients have confidence in our tax knowledge and dedication to superior client service.

- We have successfully managed hundreds of Section 1031 Like-Kind Exchange transactions
- All clients' funds are in fully insured interest bearing accounts
- Curchin 1031 Exchange, LLC is fully insured to protect our clients

"When it comes to 1031 exchanges, Doug Stives and Curchin 1031 Exchange, LLC are without question the area experts. We have referred countless clients to them and they make what seems like a confusing process easy. I can't thank the entire team enough for all the fine work they have done for both our firm and our clients."

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