

***If you are receiving this handout electronically, you may either view it on an electronic device or print out one copy for your use only.***

***You may not reproduce or redistribute any portion of this packet without the express written permission from the GAR Professional Development Department.***

*Georgia REALTORS® partners with the Local Boards and REALTOR® Firms to provide quality, affordable continuing education courses.*



## **1031 Real Estate Exchanges #26094**

**Sponsored by:**

**Georgia Association of REALTORS®, GREC School #271**

**Visit the Georgia REALTORS® website to learn about membership benefits, continuing education opportunities, networking events, and more!**



[garealtor.com](http://garealtor.com)

**NOTICE:** *The following material is copyrighted.*

You may not reproduce or redistribute any portion of this packet without the express written permission from the GAR Professional Development Department.

This packet is provided to you for one-time use only in this GAR-sponsored course.

If you are receiving this handout electronically, you may either view it on an electronic device or print out one copy for your use only.



## STUDENT NOTICE

The Georgia Association of REALTORS®, Inc. is approved by the Georgia Real Estate Commission (GREC) to offer continuing education, sales postlicense, and broker prelicense courses. The GREC school code number is 271 with a renewal date of December 31, 2023.

The Georgia Real Estate Commission has approved this course for three (3) hours of continuing education credit. GAR school policy defines an instructional hour as 50 minutes.

To receive continuing education (CE) credit for this in-classroom course, the student must:

- ✓ be on time
- ✓ sign in with the course facilitator before the course begins
- ✓ be present in the course during all instruction periods
- ✓ return a completed evaluation to facilitator at the end of course
- ✓ not have taken this course for continuing education credit within the past 366 days.

There is no make-up session for this course.

Cell phones and other electronic devices can be distracting. Use of communication methods such as text messaging, E-mailing, web surfing, etc. is prohibited while class is in session if it poses a distraction to other attendees and shall be grounds for dismissal. Taking pictures of PowerPoint slides requires the permission of the instructor.

Entrance qualifications and standards of completion will not be based on race, color, sex, religion, national origin, familial status, handicap, sexual orientation, or gender identity.

No recruiting for employment opportunities for any real estate brokerage firm is allowed during this course or on the premises while this course is in session. Any effort to recruit by anyone should be promptly reported to the Director of Professional Development; Georgia Association of REALTORS®; 770-451-1831; 6065 Barfield Road; Sandy Springs, GA 30328; or to the Georgia Real Estate Commission; 404-656-3916; International Tower; 229 Peachtree Street, NW; Suite 1000; Atlanta, GA 30303-1605.




---

---

---

---

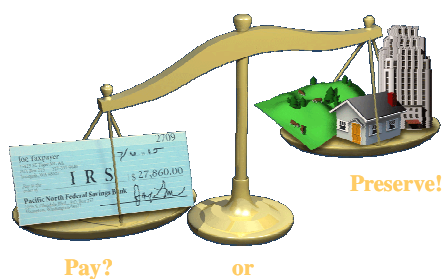
---

---

---

---

### Pay the Tax or Preserve the Profit




---

---

---

---

---

---

---

---

### Starker Services, Inc.

- Course Objectives:
  - Understand Section 1031 technical rules
  - Compare “Like Kind” Alternatives
  - Implement Strategies for Using 1031
  - Walk & Talk “1031” !
  - Never Pay Taxes Again!

---

---

---

---

---

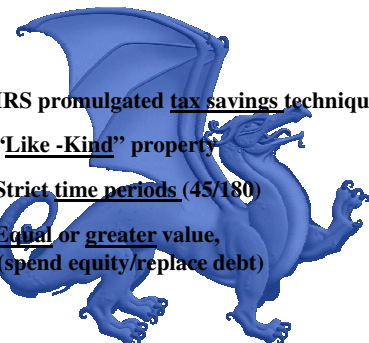
---

---

---

## Essential Elements of a 1031 Exchange

- IRS promulgated tax savings technique
- “Like -Kind” property
- Strict time periods (45/180)
- Equal or greater value,  
(spend equity/replace debt)




---

---

---

---

---

---

---

---

## Relevant Tax Legislation

- Starker Family Cases (1970's)
  - Multiple properties and court cases
  - No time requirements
  - Starker prevails over IRS!
- 1997 Taxpayer Relief Act
  - Capital gains tax rate 20%, Depreciation 25%
  - Primary residence exclusion (\$250,000/\$500,000)
- 2017 Tax Cut and Jobs Act
  - Preserved 1031 for real estate, eliminated personal property
  - Enacted immediate expensing
  - Created Opportunity Zone legislation

---

---

---

---

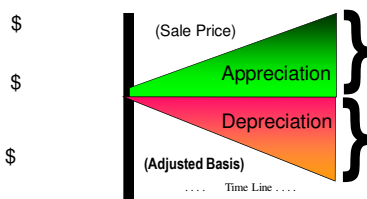
---

---

---

---

## Capital Gains Tax 2017




---

---

---

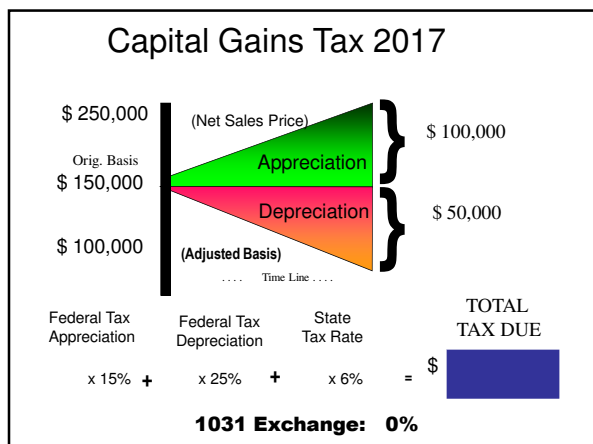
---

---

---

---

---




---

---

---

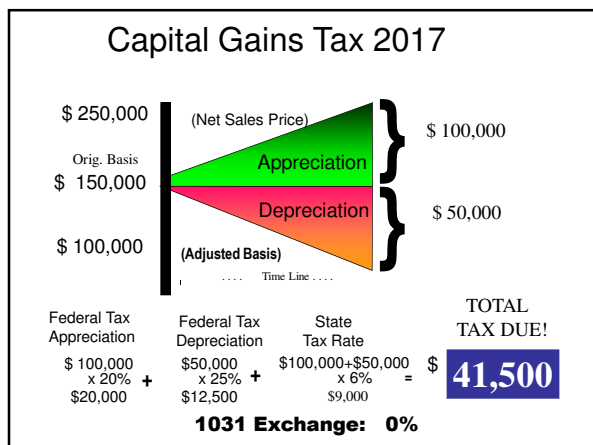
---

---

---

---

---




---

---

---

---

---

---

---

---

### IRC Section 1031

*(1) IN GENERAL - No gain or loss shall be recognized on the exchange of property held for productive use in a trade or business or for **investment** if such property is **exchanged** solely for property of like kind which is to be held either for productive use in a trade or business or for **investment**.*

---

---

---

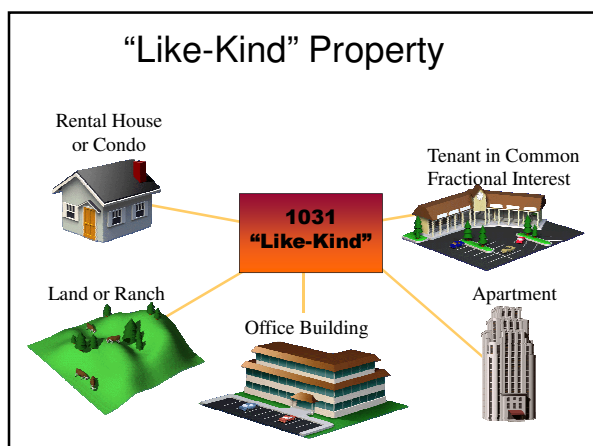
---

---

---

---

---




---

---

---

---

---

---

---

---

### “Vacation Property”

Rev. Proc. 2008-16 – Safe Harbor for “Vacation Property”

- IRS: “Dwelling unit held for rental income...  
also used for personal purposes... will qualify as Like Kind...  
even if occasionally used personally
- What is occasionally? 2 Year Rules
  - ✓ Required rental > 14 days for each of 2 yrs...
  - ✓ Minimal use: Up to 14 days for each of 2 yrs...
  - ✓ Before and after the exchange for a total of 4 yrs
- Maintenance Exception – Days working on Property... Don't Count!

---

---

---

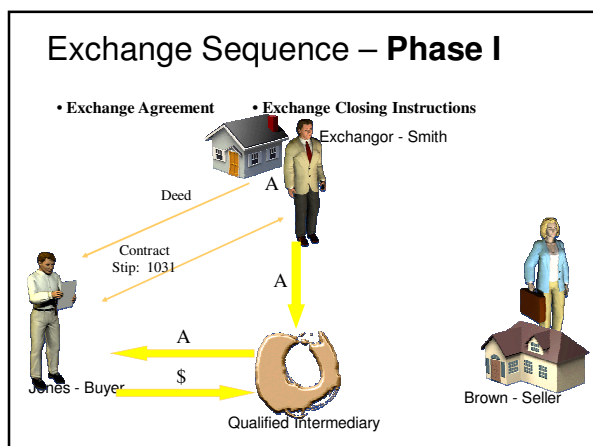
---

---

---

---

---




---

---

---

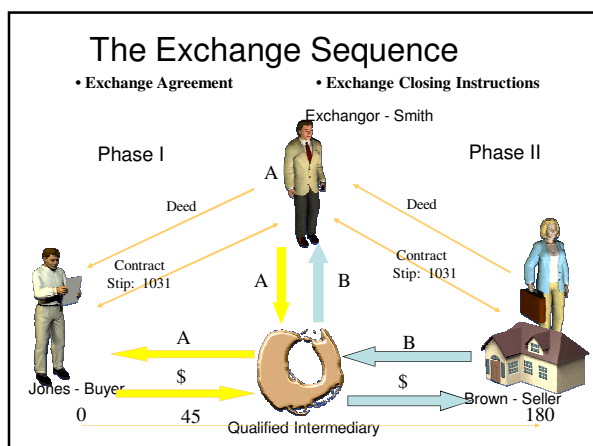
---

---

---

---

---




---

---

---

---

---

---

---

---

### The Napkin Test

	Sale Property	Purchase Property
Sale Price	\$ 250,000	\$ 400,000
Equity	\$ 150,000	\$ 150,000
Mortgage	\$ 100,000	\$ 250,000

If equal or greater - a totally tax deferred exchange

---

---

---

---

---

---

---

---

### Creating Cash Boot

	Sale Property	Purchase Property
Sale Price	\$ 250,000	\$ 300,000
Equity	\$ 150,000	\$ 100,000
Mortgage	\$ 100,000	\$ 200,000

- Cash Boot \$50,000

---

---

---

---

---

---

---

---



### Case Study - Family Farm "Combination"



TOTAL SALE \$2,500,000

Farm - (95 acres) (\$1031)  
\$ 2,250,000

Home - (5 acres) (\$121)  
\$ 250,000

-\$ 250,000 single exclusion

\$0 Tax Liability



Office Building

\$750,000



Land

\$750,000



50% Veterinary Clinic

\$750,000

## 1031 and Opportunity Zones

QOZ – Over 8700 QOZs across the country

Tax Breaks for Investment in QOZ Fund Properties or Businesses

Invest "Any" capital gain – i.e.. stock market gains

Deferral through 2026

Exclusion: 10% to 15% of gains at 5 years/7 years

Exclusion of 100% of "new profit" at 10 years

Reinvestment in QOF is profit only

Time period is 180 Days

1031 reinvestment is full sales price, indefinite deferral

## Reverse Exchanges

- Acquire replacement prior to relinquishing property
- Previously considered aggressive
- Approved by IRS in 2000
- "Safe Harbor" technique is available
- Two variations of reverse exchanges

## Challenges with Reverses

- Must use QEAA for "Safe Harbor"
  - (Qualified Exchange Accommodation Agreement)
- Exchangor permitted activities:
  - Make and guaranty loans
  - Lease property from the "AT"
  - Manage the property and supervise improvements
  - Act as the contractor to build property
- Lender may have difficulty with AT owner
- Insurance to cover the AT must be obtained
- Financial strength necessary by exchangor

---

---

---

---

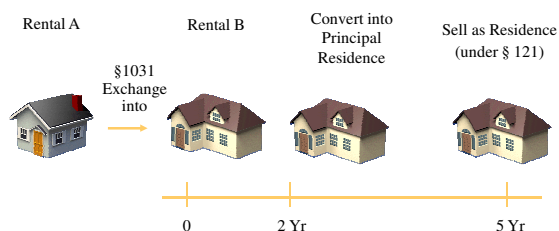
---

---

---

---

## Property Conversion




---

---

---

---

---

---

---

---

## Conclusion, Q&A, Announcements

### Reasons to Exchange:

**Obtain a larger property**

**Consolidation**

**Diversification**

**Convert the Investment Nature**

**Relocation**

**Retirement Planning**

*Benefit: Investors accomplish investment goals and defer taxes*

---

---

---

---

---

---

---

---

Thanks for attending today's program!

***Presented by John Mangham of  
Starker Services, Inc.***

For information or copies of our  
"Black Brochure"

Call: 800 332-1031 or

Email: [1031@starker.com](mailto:1031@starker.com)

Website: [www.starker.com](http://www.starker.com)

---

---

---

---

---

---

---

---

# Georgia Association REALTORS® - Partners in Education

## Student Course / Instructor Evaluation

Course Name \_\_\_\_\_

Instructor \_\_\_\_\_

Date \_\_\_\_\_

**FOR IN-CLASSROOM ONLY. Livestream classes will be sent electronic evaluation link.**

**PLEASE FILL IN THE BUBBLES COMPLETELY SO ANSWERS ARE SCANABLE.**

**Please do NOT use check marks, x's or any other type of mark.**

**The instructor encouraged my participation through questions and answers or exercises.**

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Neutral
- ☐ Agree
- ☐ Strongly Agree

**The instructor presented ideas clearly and made the subject matter interesting.**

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Neutral
- ☐ Agree
- ☐ Strongly Agree

**The use of the outline / handouts for study and / or reference was helpful.**

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Neutral
- ☐ Agree
- ☐ Strongly Agree

**The topic is relevant / helpful to my real estate activities.**

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Neutral
- ☐ Agree
- ☐ Strongly Agree

**I would want this instructor back.**

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Neutral
- ☐ Agree
- ☐ Strongly Agree

**Additional Comments:**

---

---

---

---

---

---

Thank you for your input. (Revised 5-2017)