

BUSINESS EXCHANGE:

If a owner of a business seeks to dispose of the business, doing so in Section 1031 exchange can result in significant tax savings. The business owner may want to dispose of one business in one metropolitan market in order to focus on another metropolitan market. Business types that may be eligible for 1031 exchange are; distributorships and franchises, including cable televisions, beer distributorships, restaurant franchises, gas station franchises, laundry franchises, and Professional services practices are just a few.

The exchange must be broken down into individual exchanges by category of “like-kind” assets. For example, the value of the office equipment relinquished must be matched against the value of the office equipment received. Intangible asset are a key aspect of line-of-business exchanges. These include FCC licenses held by broadcast; subscriber lists held by newspapers, magazines, and cable television franchises, patents, copyrights, technological know-how etc. IRS regulations provide that goodwill and going-concern value are never like-kind assets.

Basic Exchange Rules

Two basic rules must be met to completely defer income taxes on the gain realized from the sale of the relinquished property:

1. The purchase price of the replacement business must be equal to or greater than the net Sale price of the relinquished business; and
2. All cash or other proceeds received from the sale of the relinquished business must be used to acquire the replacement business.

Exchange Timeline:

The exchanger has up to 180 days from the close of escrow on the sale of the relinquished business to buy the replacement business. The first 45 days of that period is called the Identification Period. During the identification period, the investor must identify the replacement business. The identification must be in writing, signed by the exchanger, and received by the Intermediary within the 45-day period. Failure to meet the identification deadline or complete the exchange within 180 days results in a failed exchange.

Types of Exchange:

1. Delayed, Reverse, Construction, Simultaneous, Business & Personal

Selecting a Qualified Intermediary:

From the simplest exchange to the most complex, we have built our reputation on expertise, financial strength, and customer satisfaction. Bankers Exchange Services, is one of the few companies that are bank owned nationally. All exchange proceeds are deposited in custodial accounts (interest bearing), and are insured by a Fidelity bond and D&O insurance. If you have any questions, I can be reach at 925-212-1727 or email me at W.Lam@BES1031.COM.

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