

Tax & Investment Benefits

The 1031 Tax-Deferred Exchange provides a means of using increased value in business or investment properties to purchase other real estate. It is a legal means to defer paying income taxes on gains realized from the sale of real estate through re-investing the gains.

The first Tax-Deferred Exchange Laws were enacted and became part of the Internal Revenue Code in 1921. A very important ruling was made in 1979; the Starker Case Decision upheld delayed exchanges. Thus, the transfer of property does not need occur at the same time; one property could be "sold" and escrow closed one day and the replacement property being acquired "purchased" and escrow closed at a later date.

The advantages of investing in vacant land as part of a 1031 Exchange are many particularly if the investment is unlevered. If an investor wants a safe real estate investment with steady long term growth and virtually no maintenance expense, acquiring vacant land clearly warrants serious consideration.

Wilderness land offers a priceless non-taxable recreational benefit to the sportsman who wishes to hunt and fish, or entertain friends and clients on his own private estate.

The ability to subdivide vacant land and sell a portion of the investment provides a natural way to spread realization of a taxable gain over many years. Wilderness land provides the added benefit of reforestation. The forest represents selfgenerating inventory that grows in value everyday. In northern Minnesota the value of large tract wilderness land has increased significantly over the last decade. In most places where a river runs through it or a mountain rises from it, large wilderness tracts in northern Minnesota have seen a tenfold increase in value (1996 - 2006).

NOTE: There are IRS regulations that must be strictly followed to preserve the right to defer tax gains. Prior to doing an exchange, work with someone knowledgeable on the subject whom can advise you on the requirements necessary to qualify for the tax deferment. You CANNOT simply "sell" one property and "buy" another. Useful websites & articles

01.2008 Wall Street Journal: "Tax Break With a View"

"Encouraged by recent tax legislation, Mr. Garnett has placed a "conservation easement" on much of his property, located about 80 miles from Washington, D.C. The move permanently shields the rolling pastures, timber forests and croplands from being turned into a housing subdivision or business park. Under the easement, which is a binding agreement typically made with a land trust, the Garnett family still owns the land." Read more