

# Selling Residential Investment Property



Not all agents have the experience and training to handle sophisticated real estate transactions, such as the sale of residential investment properties. Margaret Woda has handled many successful tax-deferred exchanges — both sales and purchases. Here are some of the most frequently asked questions on this topic:

## **What is a Tax-Deferred Exchange?**

A 1031 exchange (also known as a Starker Exchange) is a process that allows real estate investors to defer paying capital gains tax on investment or business property at the time of sale.

## **What are the criteria for a tax-deferred exchange?**

The properties must be "like-kind." For example, townhouse rentals, land, farms, or vacation rentals.

## **Can I trade several small properties for one?**

Yes, and vice-versa, provided they are "like kind" and you abide by current guidelines.

## **How is the capital gain calculated?**

A capital gains tax is based on the profit plus all the depreciation taken on the "old" property.

## **What is "boot" in an exchange?**

"Boot" is unlike property received in an exchange, such as cash, notes, personal property and reduction in mortgage, which is subject to taxation.

## **Can my Realtor® handle a tax-deferred exchange for me?**

YES and NO... You can hire Margaret to find a buyer for your "old" property or to help you find "new" property; she can help you meet the deadlines, provide required notifications, and answer your questions. However, she cannot serve as your qualified intermediary – the middleman who is required for facilitating your exchange.

## **How can I find a qualified intermediary?**

Margaret can refer you to a professional who specializes in this. The fee for a qualified intermediary is usually about \$1000-1500, and less for additional properties in the same exchange.

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