

SAN JUAN

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Opportunity to Own a 39 Acre Farm
~ and more ~



Islands
REAL ESTATE TAB

December 2022



**COLDWELL
BANKER**

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IRS SECTION 1031 - TAX DEFERRED EXCHANGE

Another popular avenue for funding a real estate investment is utilizing a 1031 tax deferred exchange. During the recession when appreciation was non-existent there were no gains for buyers and sellers to defer but in the current market, the use of the 1031 has made a strong return.

As a 1031 exchange is a handy tool for deferring income tax on the sale of real estate, I thought you might desire more details about the program. As typical for any IRS code, the description material tends to be dry so reading this article may function as a sleep aid as well.

What is an IRS Section 1031 Tax Deferred Exchange?

Quite simply, it allows you as the owner of investment property (almost all property that is not your personal residence or second home) to sell the property and buy another investment property, deferring the tax on your capital gains. You do not have to find someone to accept your property in trade for the one you sell. A simultaneous close is not required.

The investment property being relinquished must be owned by the exchanger for a least 24 months prior to the exchange and must have been held for investment purposes during that entire holding period. You must keep good documentation to evidence the "held for investment" purposes. Further, the owner can not violate the fair market rental and personal use of the property rules.

The new property acquired by the exchanger must also be used as an investment property for at least 24 months after the acquisition. Some articles I have read state 12 months is adequate, if it shows on the exchanger's tax file for 2 filings; timing is important.

During the holding period the property, if rented, it must be at fair market rental rates and the exchanger's personal use of the property must not exceed the greater of 14 days or 10% of the time the property is rented out at fair market rent during a 12-month period.

This is workable with a vacation rental especially when time spent by the exchanger at the property to make repairs is not counted as personal use as long as it meets the rules. The exchanger must work on the maintenance and repairs

the lesser of 8 hours or 2/3rds of the time the exchanger is on the premises. This is a tricky area so you should check with your CPA about the documentation required.

You should also check with your CPA about renting to family members, it is possible, but you want to make sure you are well documented.

The steps for performing an exchange are not significantly different from those for completing a standard sale. You list the property, hopefully with me, and then market it for sale just like any other property. A Buyer is located, and escrow is opened. A 1031 Intermediary is brought into the transaction prior to closing. The existing property is closed but the net proceeds are held by the intermediary. When a suitable replacement property is closed, and the exchange is concluded.

When considering the sale of income or investment property, you as a seller must consider the taxation. When selling property, you could owe federal and, in some areas, state capital gains tax. This could mean paying 20% to 40% in taxes on the gain. Instead of paying a large amount to the IRS in taxes you can use that money to buy more real estate. Property that qualifies for preferential tax treatment under Internal Revenue code section 1031 (IRS 1031) is treated quite differently. IRS Section 1031 states: ...

To continue reading

IRS Section 1031 - Tax Deferred Exchange

please visit our website:

<https://www.sanjuanislandslifestyle.com/blog>



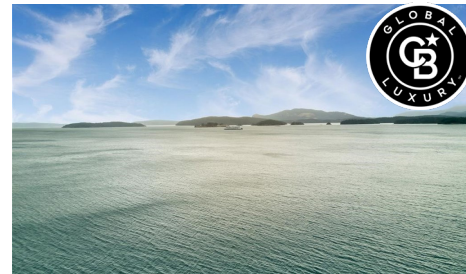
PENDING
RECENTLY REMODELED HOME ON ACREAGE
\$820,000 - MLS #2005818



PENDING



INTER-HARBOR WATERFRONT HOME
\$875,000 - MLS #1974364



SECLUDED WATERFRONT HOME ON ACREAGE
\$2,695,000 - MLS #1783855



HARBOR RENTAL - BUSINESS FOR SALE
\$2,950,000 - MLS #1910066



THRIVING LOCAL BUSINESS FOR SALE
\$875,000 - MLS #1808687



REDUCED

SUNNY 5-ACRE EQUESTRIAN ESTATE
\$795,000 - MLS #1941271



REDUCED



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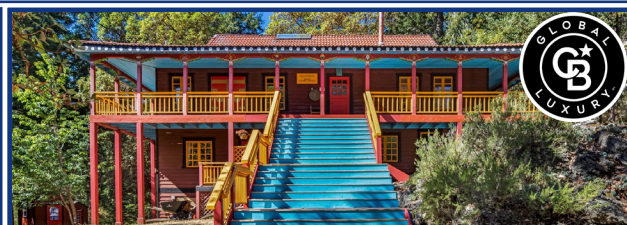


OPPORTUNITY TO OWN A BEAUTIFUL 39 ACRE FARM

An exceptionally rare opportunity to own a real 39-acre farm in 2 parcels including a wonderful old-world farmhouse, a magnificent barn with many attributes including a previously approved milk station, 6 horse stalls, an animal washing station with hot and cold water, living area with a kitchen for ranch hands to have meals from, shop, huge hay loft, and large office. There is a very nice 1 bed/1 bath cabin, a large pond for swimming or other recreation...

\$1,999,995

MLS #1950257

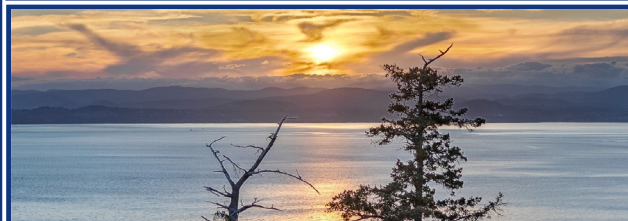


SERENE PARADISE RETREAT CENTER ON 20 ACRES

This serene paradise has been used as a Buddhist retreat center on 20 acres graced with madrona, native fir trees, & rocky outcroppings. The main building has a beautiful hand-painted meditation room, a suite with living room, guest rooms, a caretaker's apartment, large kitchen, hardwood floor & tile floors, & a full wrap-around deck. Groomed paths meander to multiple sleeping huts, tent platforms, & cozy yurts & offer space for large gatherings...

\$1,850,000

MLS #1995115



PREMIER LOCATION ON THE WEST SIDE

Premier location on westside of San Juan, with 180° views of the Straits, Victoria, various species of whales, shipping lanes, sunsets and Olympics. Very private, on 5 delightful acres graced with old growth trees and rocky knolls, this 2300SF 2 bedroom 2 ½ bath custom home is sited on one of the best parcels in the area. Wonderful floor plan, it is in need of upgrades, but offers so much. Hardwood floors, formal library/office and dining room...

\$1,475,000

MLS #1999937



EXCEPTIONAL BUSINESS OPPORTUNITY IN FRIDAY HARBOR

Exceptional business opportunity with 36 years of history providing year-round services to Friday Harbor and the entire County. Harbor Rental and Saw Shop is a well-known successful essential business. The sale includes the rental, repair and retail business with a County wide customer base and training for the buyer. The real estate includes; the primary building which has the show room with retail, equipment rental and repair workshop, 4 leveled lots.

\$2,950,000

MLS #1910066



BEAUTIFUL HOME AND ACREAGE ON KANAKA BAY ROAD

Perfectly sited on a rocky knoll, amongst towering old growth native trees, this private and lovely property has a 3 bedroom, 3 bath home with sunny deck and delightful stone patio. Vaulted ceilings, solarium, and skylights create a sunny and light filled home. Ready for your own touches, the home offers privacy, den with wood stove, great room with dining, attached 2 car garage with ample storage, office. Brand new roof, detached greenhouse...

\$768,975

MLS #1997863





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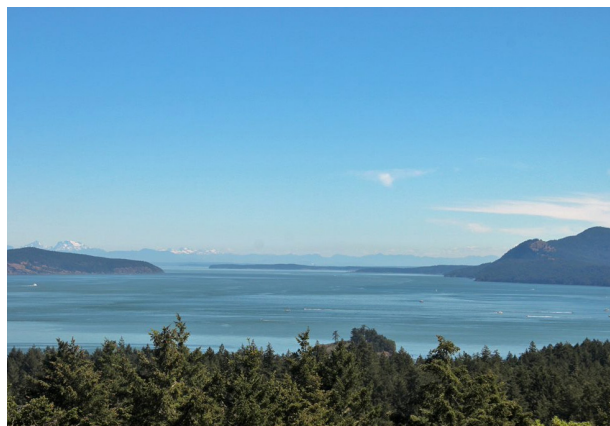
WATERFRONT ESTATE

Once-in-a-lifetime experience of a truly magnificent 2 Acre West Side Waterfront Estate on a south and west-facing point with 946 ft of medium-low bank shoreline. Enjoy an intimate connection with the whales swimming along the shoreline! Exquisite home with approx. 3450 sf, a 657 sf detached studio, a 620 sf detached guest facility, a 1248 sf shop-exercise-office, treehouse, wonderful landscaping, desalinization plant, 30,000 gallons of water storage, 3-bedroom septic system, 2 deer-fenced gardens, greenhouse, and chicken run. The value of the land is discounted 30% to \$2.1M due to a 99-year leasehold with 72 years remaining and the improvements most likely could not be replaced for less than \$4.5M.

MLS #1977734 / \$6,450,000



REDUCED



WATER VIEW ACREAGE

Spectacular views across masses of water to many islands, plus big views of Mt Baker, on approx. 6.4 acres, including half interest in a well, a 4-bedroom septic permit, utilities close to the building site, a portion of a beautiful pond, and level wooded and steep ground. The ideal building scenario is a garage/shop with an elevator leading to a second story that accesses the moss covered peak. The property is adjacent to 1200 acres of privately held property that has historically allowed people to hike and ride horses on old logging roads leading to and around the Briggs Lake water shed for Roche Harbor.

MLS #1959918 / \$895,000

HOME ON GOLF COURSE

Nice location bordering the golf course on the north and west sides of property and view of a pond. One-story home with 1604 sf, 2 bed/2 bath, patio on golf course, an outdoor sauna/shower, attached 2-car carport, and 1000 sf detached garage/shop with attached 2-car carport.

MLS #1968806 / \$795,000



HOME NEAR TOWN

Bright and sunny west-facing home with territorial views of the beautiful SJC Land Bank property. Extensive remodel throughout just completed. 1616 sf, 3 bed/2 bath, large great room with vaulted ceiling and wood stove, new exterior paint in 2020, new roof in 2019, a 4-car garage (782 sf), a garage/shop/storage (928 sf) wired throughout with 220v, just over an acre, and close to town.

MLS #1922375 / \$799,000

MLS #1950257 / \$1,999,995

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