

New 1031 exchange advantage

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By now most of us are feeling savvy about using 1031-exchanges to defer paying capital gains tax. It makes sense to use a 1031-exchange when selling property elsewhere to purchase your dream mountain home in Angel Fire. Or maybe you already own a Taos home and are ready to upgrade to a unique property for sale in Taos you have had your eye on for years. Do you see great potential in a property in Angel Fire, but it needs a little work to truly become the mountain home of your dreams? Has your family outgrown your Taos ski condo and you are ready to purchase a larger condo which needs renovating? You can use 1031 exchange money for improvements on your replacement property. This exchange option is ideal for exchangers who have additional funds left over after closing on their replacement property; it is called a "build to suit" or "improvement" exchange.

Within certain guidelines a "build to suit," also referred to as a "construction," or "improvement" like-kind exchange allows you the flexibility to build, construct, or make capital improvements to your replacement property. To accomplish this type of exchange, an Exchange Accommodation Titleholder (EAT) temporarily holds title to a property during construction. Payment of construction costs goes through the Qualified Intermediary in control of the exchange funds for acquisition of your replacement property.

At the end of the 180-day holding period for the exchange, improvements to your replacement property may already be complete. If you discovered the perfect New Mexico horse property only to find a not-so-perfect cabin sitting on it that would never appraise higher than your relinquished property, a build-to-suit exchange may allow you to purchase a replacement property of lower value and make capital improvements to increase the value to equal or greater than the relinquished property. Visit our Taos Real Estate office or the Angel Fire real estate office where our knowledgeable Realtors are eager to show you the majestic beauty of northern New Mexico.