

Single Exchanges



Accruit 1031 Like-Kind Exchanges: Helping Your Business Maximize Cash Benefit, Minimize Administrative Headache

Each year, American businesses use 1031 like-kind exchanges (LKEs) to defer billions of dollars in taxable gain. What some companies don't realize, though, is that you don't have to be a huge enterprise with a multi-million dollar portfolio to take advantage of this powerful tax strategy.

At Accruit, we serve well over 400 single exchange clients and to date we've helped them transform hundreds of millions of dollars of tax liability into operating cash. If your business buys and sells assets, we can help you, too.

1031: How Like-Kind Exchanges Work

When the sale of an asset and purchase of a like-kind asset are structured as an LKE, the gains realized from this exchange are then deferred. As with any tax regulation, to see the benefit you must play by the rules. In order to properly structure a 1031 exchange:

- › Assets exchanged must be held for business or investment use.
- › A Qualified Intermediary (QI) is usually required to hold sales proceeds until replacement assets are purchased.
- › The exchange must occur within a prescribed timeline.
- › Exchanged assets must be of the same classification.
- › The exchange must be established before the sale.

You can defer taxes whether engaging in one 1031 transaction or many.

In addition to the deferred exchange process described above, you can also execute a "reverse exchange." With these transactions you can make a new purchase *prior to selling the current asset*, allowing you to continue generating revenue from your original asset or capitalize on an interesting purchase opportunity.

Why Accruit?

Accruit provides the only comprehensive, fully integrated like-kind exchange (LKE) solution in the nation. Our programs are built on ***the only patented LKE process in the industry*** and are backed by a unique, one-to-one client service model that puts your account in the hands of a dedicated client service manager who's intimately familiar with the details of your program.

- › Accruit facilitates every type of 1031 exchange; additionally, we manage exchanges for both real estate and corporate assets (tangible and intangible).
- › We conduct 250,000 exchange transactions annually and have roughly \$8 billion in assets under management.
- › We serve clients in more than 20 industries and have helped these companies transform billions of dollars in tax liability into valuable operating cash.
- › We're the exclusive LKE provider for PLS, Network International, Ritchie Bros. and PurpleWave.
- › Our 98% client retention rate attests to the end-to-end value our customers find in their relationships with Accruit.

"Accruit provides a genuine Like-Kind Exchange *solution*. I have found this technology-driven process to be preferable to the paper-based approach we have used in past exchange transactions. The Accruit solution is capable of managing both the real estate and the tangible assets components of a producing oil and gas asset exchange. This, combined with Accruit's client service, has provided great flexibility in managing the details of our exchange at a very reasonable cost. We're looking forward to working with Accruit in the future and recommend them highly to our peers ..."

– Assistant Vice President/Director of Taxation, St. Mary Land & Exploration

Case (Simple): Janssen Brothers Engineering & Construction

THE SITUATION

Janssen Brothers Engineering & Construction (JBEC) is a large, top-rated contracting firm based in the Midwest. They routinely buy and sell a variety of heavy equipment in the course of business.

THE PROBLEM

In 2009 JBEC decided to move several older cranes and to purchase a new model from a local dealership. The existing cranes were fully depreciated for tax purposes, and the company anticipated a hefty tax bill upon sale.

THE ACCRUIT SOLUTION

JBEC, which had conducted several single exchanges in the past, consulted with its Accruit Client Service Manager and learned that its plans represented a very simple straightforward 1031 exchange. The CSM helped them structure the exchange, at which time they sold the relinquished assets (four Grove RT series and one Grove TMS series) at auction.

THE RESULTS

The net sales price at auction approached \$400,000 and the combined tax rate was approximately 35%, allowing Janssen Brothers to **defer recognition of a \$140,000 gain**. Shortly thereafter the firm applied these funds to the purchase of a new Terex RT series, which is in service today.



Case (Complex): Hartson Oil

Hartson Oil is an independent energy firm focused on the exploration, development, acquisition and production of domestic natural gas and crude oil. Like most companies in this industry, Hartson routinely buys and sells a variety of corporate assets, including real estate and tangible assets (vehicles, drilling and production equipment, piping and casing).

THE PROBLEM

Hartson faced a complex exchange scenario. The company planned to purchase multiple strings of tubing and casing over a period of several months and they intended to sell scrap tubing and casing sometime between the first set of purchases and the last. The exchanged equipment was to be carved out of a much larger sale and about 25% of the equipment sold wasn't going to be replaced. The replacement property was to be purchased and aggregated in four states: North Dakota, Oklahoma, Pennsylvania and Texas, with the majority of the replacement property to be parked in Texas and Oklahoma, where the bulk of the deferral was to be concentrated.

THE ACCRUIT SOLUTION

To address the specific requirements of the proposed transaction, Accruit's Exchange Operations group crafted a "Personal Property Straddle Exchange" and formed Exchange Accommodation Titleholders (EATs) in Texas and Oklahoma to manage the reverse exchange portion of the transaction. Hartson was then able to conduct the entire exchange within clearly defined Safe Harbor guidelines.

THE RESULTS

Proceeds from the sale of relinquished assets were slightly in excess of \$6 million. Since the combined tax rate was approximately 40%, **the Accruit single exchange allowed Hartson to defer \$2.4 million in tax liability** – funds that were reinvested in the company's operations.

* Janssen Brothers and Hartson Oil are based on actual Accruit clients.

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Oil & Gas
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