

Heavy Equipment



1031 Exchanges of Equipment

What is a 1031 Exchange?

When you sell equipment, you can end up paying up to 40% tax on the gain — reducing your cash flow and leaving less money to grow your business.

Section 1031 of the Internal Revenue Code allows you to defer the taxes associated with the sale of business assets, provided that you reinvest in like-kind assets. If you sell an asset, such as a piece of equipment or a company vehicle, and use the proceeds of the sale to purchase a like-kind piece of equipment or vehicle, the taxes you would have incurred on gains may be deferred with a 1031 exchange.

A properly structured 1031 exchange meets the following criteria:

- Assets exchanged must be like-kind.
- A safe harbor provides for a qualified intermediary (QI) to hold sales proceeds until replacement assets are purchased.
- The exchange must occur within a prescribed timeline.
- The exchange must be established in advance of the sale in order to allow for the assignment of contract rights to the QI and the required notifications to relevant parties.

Increase Cash Flow

Each year, United States construction businesses sell billions of dollars in used equipment, in the process generating significant taxable gains. Many companies choose to recognize this gain and pay the associated tax, which can be up to 40% of the proceeds of the sale. There is an alternative.

Suppose you sell a fully depreciated backhoe at auction and want to purchase a new loader. The backhoe sells for \$90,000. Normally, you would owe roughly \$36,000 on the sale, leaving only \$54,000 to purchase replacement property.

With a properly structured like-kind exchange, you can apply the entire \$90,000 toward the purchase of the new loader and skip paying the tax bill and keep your cash where it belongs — in your business.



1031 Exchange Side by Side Benefit

	Without LKE	With LKE
Original Cost	\$130,000	\$130,000
Depreciation allowed	\$92,560	\$92,560
Tax basis at sale	\$37,440	\$37,440
Sale price	\$84,500	\$84,500
Gain on sale	\$47,060	\$47,060
Tax due on gain (40% tax rate)	\$18,824	\$0
Cash available for replacement	\$65,676	\$84,500

Keep Your Money In Your Business

Whether you sell one asset per year or thousands, Accruit's single exchanges, reverse exchanges and fully-managed repetitive programs are secure, convenient, and affordable, allowing you to:

- Maximize your cash flow.
- Reduce your borrowing needs.
- Pay less tax.
- Defer taxes on gains indefinitely if you keep replacing equipment through LKEs.
- Have more money to reinvest in equipment.

About Accruit

Accruit is the nation's leading provider of 1031 like-kind exchange solutions, serving more than 20 industries and facilitating all types of forward, reverse, build-to-suit and improvement exchange transactions, including like-kind exchange programs, exchanges of real estate, business assets, collectibles, and franchises.

Why Accruit

- Dedicated service managers provide individualized service
- The only patented LKE process in the industry
- Client funds are held in segregated accounts at top-rated financial institutions
- Fidelity-bonded and insured in compliance with all state regulatory requirements
- Certified Exchange Specialists on staff
- In-house CPA and attorney
- Board-level member of the Federation of Exchange Accommodators



The Voice of the 1031 Industry



Contact Accruit

Call or e-mail us today for a free consultation:

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