

OIL AND GAS INVESTMENTS

"A VIABLE §1031 EXCHANGE OPTION FOR CASH FLOW AND DIVERSIFICATION"



Compliments of

DIVERSIFICATION WITHOUT PROPERTY MANAGEMENT RESPONSIBILITIES

Many exchangers are currently acquiring oil and gas investments using exchange proceeds resulting from the sale of traditional residential or commercial real property in order to diversify their investment portfolios. Oil and gas interests provide many advantages, not the least of which is that they do not track with the real estate market. Diversification can achieve a variety of other investment objectives, as well, including enhancing cash flow and reducing income tax liability. Additionally, there may be no associated property management expense, tenant vacancies, building maintenance expense or insurance requirements.

PAY TAXES ON "BOOT" OR LOOK AT TAX ADVANTAGED ALTERNATIVES?

Oil and gas interests may also offer a partial tax relief safety net for exchangers who have missed their 45 day identification period or have failed to close on replacement property within the 180 day deadline. Additionally, those exchangers who receive more cash or mortgage boot at the end of the exchange transaction than initially contemplated may find an oil/gas investment works well to defer tax liability while creating monthly cash flow. Congress has provided substantial tax incentives to stimulate domestic natural gas and oil production to make the United States more energy self-sufficient thereby reducing our nation's dependence on foreign imports. These tax incentives include:

1. The Intangible Drilling Cost ("IDC") Tax Deduction covers intangible drilling expenditures (labor, chemicals, etc.). Qualified IDC expenditures are 100% deductible in the first year under Section 263 of the Tax Code and can immediately help offset some of the tax consequences of receiving boot in an exchange transaction.
2. The Tangible Drilling Cost ("TDC") Tax Deduction covers the amounts allocated for drilling equipment. Qualifying equipment may be expensed over a period of seven years.
3. The Percentage Depletion Allowance covers depletion of the extracted oil or gas minerals by reducing Gross Income (not net income) by 15% effectively reducing tax on net income.

In the past, investment opportunities in oil and gas interests were unknown or overlooked because they were not marketed to the general public. Of course, just like any real estate investment, each oil and gas project should be evaluated on an individual basis as to its merits and risks.

Contact Asset Preservation toll-free (800-282-1031) to learn more about gas and oil investments as a suitable replacement property alternative.



ASSET PRESERVATION
INCORPORATED

A National IRC §1031 "Qualified Intermediary"

National Headquarters

800-282-1031

Eastern Region Office

866-394-1031

apiexchange.com

info@apiexchange.com

Template # 127

Asset Preservation, Inc. does not give tax or legal advice. The information contained herein should not be relied upon as a substitute for tax or legal advice obtained from a competent tax and/or legal advisor.