

# SUMMER 2007 TAX UPDATE

## "NEW PLRs AND IRS DISASTER RELIEF EXTENSIONS"



### Compliments of



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For more information on these PLRs and disaster relief below, visit [apiexchange.com](http://apiexchange.com), go to "Links" in the blue menu bar and then select "Tax Code and Legal References."

#### PLR 200728008 - RELATED PARTY EXCHANGES

This ruling addresses the sale of a relinquished property to a related party through a qualified intermediary where the related party sells within two (2) years. The ruling holds that a subsequent sale by the related party, within two (2) years, will not trigger recognition of gain under IRC Section 1031(f).

#### PLR 200725018 - PRORATED EXCLUSION FOR SALE OF RESIDENCE WITHIN 2 YEARS

The IRS determined that a taxpayer's second marriage and resulting new family were unforeseen circumstances under the homesale exclusion rules. As a result, the taxpayer qualified for a prorated maximum exclusion for gain recognized on the sale of the principal residence.

#### PLR 200728037 - RECENT REIT RULING

The IRS ruled that a §1031 exchange by a Real Estate Investment Trust (REIT) operating partnership in which no gain was recognized would not be treated as a sale of property nor will the relinquished property be treated as property sold for purposes of Section 857(b)(6)(D)(iv). This ruling is very similar to PLR 200701008 issued earlier in 2007.

#### 45/180 DAY EXTENSIONS FOR STORMS

The IRS has revised several earlier extension notices to add counties and/or extend deadlines. As of June 14, the IRS website lists the following counties as receiving disaster relief beginning in April 2007:

- **April 14-18 Northeast Storms** – for deadlines on/before June 25th: Bergen, Burlington, Camden, Essex, Gloucester, Hudson, Mercer, Middlesex, Morris, Passaic, Somerset and Union in New Jersey. Albany, Dutchess, Orange, Richmond, Rockland, Ulster and Westchester in New York. Belknap, Grafton, Hillsborough, Merrimack, Rockingham and Strafford in New Hampshire. Cumberland, Knox, Lincoln, Oxford, Sagadahoc and York in Maine.
- **April 21-24 Texas Storms** – for deadlines falling on/before July 2nd: Atascosa, Denton, Maverick, Moore and Swisher.
- **May 4 Kansas Storms** – for deadlines falling on/before July 5th (October 15th for Kiowa County): Comanche, Edwards, Kiowa, Osborne, Ottawa, Phillips, Pratt, Riley and Stafford.
- **May 4 South Dakota Storms** – for deadlines falling on/before July 23rd: Beadle, Brown, Clark, Davison, Hanson, Hutchinson, Marshall, Miner, Sanborn, Spink and Yankton.

#### To qualify for disaster relief:

**1)** The taxpayer must be located in one of the specified counties, regardless of where the relinquished property or replacement property is located, or the taxpayer otherwise has difficulty meeting the exchange deadlines under the conditions in Revenue Procedure 2005-27, section 17; and **2)** The relinquished property was transferred (or the parked property was acquired by the EAT in a reverse exchange under Revenue Procedure 2000-37) on or before the first date of the disaster period listed above; and **3)** The 45 and 180 day deadline falls between the first day of the disaster period and the extension date listed above.

The actual extension is for the longer of 120 days from the last day of the 45 or 180 day deadline, or until the extension date specified above, 120 days will be longer in most cases.