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1031 Exchanges in Jeopardy

There are three bills currently being proposed throughout the Federal Government that would reduce or eliminate the benefit of 1031 tax exchanges altogether. A 1031 Exchange allows a property to sell a property and exchange (purchase) a like-kind property without having to pay capital gains taxes on the sale. Former Senator Max Baucus drafted a proposal that would eliminate 1031 exchanges. His proposal also included unfavorable changes to real estate investments such as lengthening the depreciation schedule for both commercial and residential properties from 39 years and 27.5 years to 43 years for both and characterizing gains from real estate sales as ordinary income instead of a capital gain. US Representative Dave Camp who is Chairman of the House Ways and Means Committee drafted a proposal that would also eliminate all 1031 Exchanges as of January 1, 2015. President Obama has

also proposed limiting the amount of capital gains in a 1031 exchange transaction in his 2015 budget proposal. His proposal would limit the capital gains deferral to One Million Dollars (indexed for inflation) per tax payer per taxable year beginning January 1, 2015. 1031 Exchanges have been a part of our tax code since 1921. A 1031 exchange is not a tax loophole, as the tax is not simply avoided it is deferred. The basis of the exchanged property becomes the basis of the replacement property; the built-in gain is still there- it will be taxed later when the investor actually realizes the gain by selling the property for cash. 1031 exchange accurately reflects the economic reality of investment continuity in which no profit is realized, thus there is no premise for taxation.

Source: Asset Preservation:
www.APIExchange.com

SBA Loans Get a Break

There were recently two rule changes for businesses qualifying for SBA loans. The SBA eliminated two requirements. One was now allowing higher net worth individuals to participate in the SBA 504 loan program. Previously, individuals were disqualified if they were overly liquid in cash or marketable securities.

The SBA also eliminated the nine-month rule. This will allow businesses to apply more of their project costs toward their loan down payment. The SBA 504 program focuses on job creation, financing up to 90% of small and medium-sized businesses' commercial real estate including

(Acquisition, renovation, construction) and long-term equipment.

Source: Bisnow.com

Featured Property: For Lease



- 750 SF of Creative Office Space
- Great space for Car Sales, Rental Car Sales office, Tow Company, etc.
- 2 Large rooms, restroom & Storage Closet
- Close access to 101 Freeway
- Meineke Car Care Center is Anchor Tenant
- Large Parking Lot

Call for more information.

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Linda specializes in commercial and industrial sales and leasing throughout the San Gabriel Valley. She has extensive knowledge in 1031 exchange transactions, investment opportunities, and market analysis. Feel free to contact Linda with any questions or requests for information.

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