

Newsletter

Tax-Deferred 1031 Exchange and the 504 Program

SBA 504 Effective Rates for October 2018

For New Loans Approved After October 1, 2018:

25-year - 5.26% / 5.30% Refi ~ 20-year - 5.22% / 5.27% Refi ~ 10-year - 5.25% / 5.33% Refi

For Loans Approved Before October 1, 2018:

25-year - 5.53% / 5.58% Refi ~ 20-year - 5.49% / 5.54% Refi ~ 10-year - 5.25% / 5.33% Refi

Can the SBA 504 loan program be used to finance real property utilizing a 1031 exchange? Absolutely, under certain circumstances. Listed below are a few guidelines, but are not considered to be legal or tax advice, nor the tax code in its entirety.

- 1.** Under SBA's new EPC rules, the EPC can have no other real estate or operating activities. So as long as the entity listed in the 1031 exchange has no other business activities, it is eligible. The problem comes when the entity listed in the 1031 does have additional business activities, including other real estate holdings. In this situation, the 1031 exchange property is not eligible unless all other holdings are transferred to a separate entity, leaving the 1031 property as the sole asset of the EPC.
- 2.** A thorough review by an accountant specializing in 1031 exchanges should be consulted when exchanging special purpose properties such as hotels, gas stations, etc. According to the IRS website, under the Tax Cuts and Jobs Act, Section 1031 now applies only to exchanges of real property and not to exchanges of personal or intangible property. Thus, effective January 1, 2018, exchanges of machinery, equipment, vehicles, artwork, collectibles, patents and other intellectual property and intangible business assets generally do not qualify for non-recognition of gain or loss as like-kind exchanges. Learn more here: <https://www.irs.gov/businesses/small-businesses-self-employed/like-kind-exchanges-real-estate-tax-tips>

Toija Beutler, attorney, has graciously allowed us to share her information regarding the 1031 exchange. Please visit her site at <https://www.beutlerexchange.com> for more information.

Serving Washington, Idaho, Oregon and Alaska

NWBDA has entered the new Fiscal Year!

Here is the impact on the communities of Washington, Idaho and Oregon in the fiscal year of 2018.

525

Jobs Created

66

Jobs Retained

59

Projects Approved

50

Projects Funded

\$106,527,970

Project Amount Approved

\$74,572,807

Project Amount Funded

September's Loan Fundings

NWBDA funded **3** new projects for the total amount of **\$11,780,868.43**

September's Loan Approvals

NWBDA approved **4** new projects for the total amount of **\$5,784,251.00**

In the month of September, NWBDA helped **create 162 new jobs** in the local communities

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