

“Saving Taxes at the Federal and Local Level”

Selover Printing Company Exchange

Millville, NJ

Richard and Anne Selover owned a small printing company in Moorestown, NJ, where they had enjoyed a quiet residency in a small office/warehouse building for many years. Recently though, a local real estate boom had brought soaring costs to the area, giving the Selovers reason to move the company to the much more economical town of Millville, NJ. The city of Millville had just created a redevelopment zone, selling lots at a very low price to induce businesses to relocate to their area. This meant a good deal, but in order to get it, the Selovers would have to build the new facility on the lot, something they had never done before. They decided to go for it, and planned to fund the new construction with proceeds from the sale of the old office – which made maximizing profits extremely important.

While speaking with his accountant about the best way to handle the sale, Mr. Selover learned about the benefits of doing a 1031 Exchange. He contacted our company months prior to his closing, and the extra time proved beneficial; through several phone consultations, we identified the exchange as a more complex transaction that would require greater planning and expertise. The Selovers would need to perform a transaction known as a build-to-suit exchange.

The first closing occurred on September 7, 2007, when a buyer purchased the old office. Steven D. Rothberg, Esq. of Capital 1031 exchange, attended the closing in order to ensure a smooth

sale and to provide a road map for the upcoming construction process.

The next step was the purchase of the Millville property, but this required a little finesse. A build-to-suit exchange requires a holding company to purchase the new property. Since the original agreement with the city of Millville was with the taxpayer, not a holding company, Capital 1031 had to convince the city solicitor to assign the contract to the holding company. This took city council approval, but the city agreed to cooperate so that the exchange could be consummated.

After the deed was conveyed to the holding company, construction began, with Mr. Selover acting as construction manager. We made sure that he exhausted the exchange funds in the 180-day period required to successfully complete the exchange, and Selover Printing Company opened its doors in Millville soon afterwards.

This was a win by all counts for the Selovers. They exchanged a highly-appreciated property for a new facility. They avoided capital gains on the transfer. They moved from a high-cost location to a new economical location. They received local tax breaks for making the move. And finally, they swapped an old building for a brand new building. What company would say no to that?

CAPITAL 1031
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