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You Can Defer Capital Gains Tax on Sale of Investment Properties — Or Reduce It

Colorado owners of investment real estate have built up a lot of equity over the last several years through appreciation. Selling those properties outright would subject the seller to significant capital gains tax, but there are several strategies for deferring — and in one strategy reducing — that capital gains tax liability.

REAL ESTATE TODAY

By JIM SMITH, Realtor®

Many property owners have inquired about selling their investment property in a way that locks in their gains — including owners who are looking to exit the landlord business altogether.

Whether your rental property is a single-family home, a duplex, other multi-family dwelling, or a commercial property, you may well be looking to cash out while values are high, but how do you do so while minimizing your tax exposure? There are several strategies for doing so, but one that was created by the Tax Cuts and Jobs Act of December 2017 is particularly attractive, both for its flexibility and the fact that it allows for reduction of the deferred capital gains tax and elimination of future tax.

There are four exit strategies that simply defer capital gains tax obligations. They include the traditional ***Installment Sale,*** the ***Monetized Installment Sale***, the ***Deferred Sales Trust*** and the ***Delaware Statutory Trust.*** By using one of these exit strategies, you can defer the amount of tax you pay on the sale of a rental property, putting your pre-tax capital to work elsewhere. A fifth tool, the ***Opportunity Trust Fund,*** created by the Trump tax bill, is likely to become every investor's favorite. Let me explain why.

The Trump tax bill allowed states to identify "Opportunity Zones," and Colorado identified 126 such zones, 40% of which are in the Front Range, including Denver and Jefferson County. Altogether there are now 8,700 Opportunity Zones in all 50 states, the District of Columbia, and in five U.S. territories.

If a new investment in an Opportunity Zone property — or in an Opportunity Zone Fund which invests in such properties for you — is held for 10 years, you pay no capital gains tax when you sell.

There's a further advantage when you roll the capital gain on your ***current*** investment property into an Opportunity Zone investment, because you can sell your current property, ***take out your basis on that property tax-free,*** while rolling ***only your gain*** into an Opportunity Zone Fund. Your basis on the rolled-over gain is increased (and tax liability reduced) by 15% after 7 years, and your gain on the new investment is tax-free if you hold it for 10 years. I'm told that these tax benefits decline on investments made after 2019.

In this article, I'm only telling you what I understand from reading up on the subject, including at **www.IRS.gov**. You'll want to speak to your tax advisor before making any changes in your real estate investment portfolio.

I thank broker associate **Andrew Lesko,** who specializes in duplex and multi-family properties, for bringing this and the other tax-saving strategies to my attention. If you're thinking about selling your duplex, triplex, townhome or condo, contact Andrew for a current market analysis at **720-710-1000** or visit **www.DuplexAlerts.com**, where you'll find more details about all five tax deferral/reduction/elimination strategies.

If you have a ***commercial*** property to sell, call me at **303-525-1851** so I can refer you to a trusted commercial broker.

Help Mark Stenberg Recover From a Severely Broken Leg

Mark Stenberg is more than just our valued handyman. He has been my friend since I first hired him in 1991. Last week, while serving a past client, Mark fell 12 feet from a roof onto a concrete driveway, severely breaking his right leg in two places. It will be many weeks or months before he can resume earning a living. He has no family and no savings.

We can't relieve his pain, but our agents and several clients have already donated to help ease the financial burden which Mark is facing. Now I've set up a GoFundMe page so that others can contribute to his recovery. The shortcut web address is **www.gf.me/u/qvfut5**

Thanks for helping us help Mark!

GoFarm Needs a Refrigerated Box Truck or Large Van (with A/C) — Can You Help?

I am helping this great non-profit dedicated to providing our community with fresh, locally-grown produce. If you know how they might obtain a used refrigerated box truck or large van with A/C (as a full or partial donation), call CEO **Eileen O'Rourke** at **303-906-6222**.

2-BR Arvada Condo Just Listed by Debbi Hysmith

Be sure to check out this 2-bed/2-bath condo at **5585 W. 76th Ave. #102.** This 1,104-sq.-ft. condo is on the first floor, with a kitchen that opens to a private patio. A gas fireplace is the focal point of the living room. The master bedroom includes a walk-in closet & master bath. The second bedroom is large enough to add a sitting area and has its own entrance to a full bath. Add your own washer and dryer to the laundry room and forget about having to leave your home to do laundry ever again! By following the private walkway through the Wood Creek community, you will find the gated pool. Visit **www.ArvadaCondo.org** for more pictures and a narrated video tour — just like an actual showing. Buyers, you will love this condo! It was just listed at **$250,000.** No open house. Call Debbi Hysmith at **720-936-2443** to see it.

Coming Next Week: 2-Story Home in Mesa Meadows

This Genesee-built home at **1230 Wyoming Street** has been the home of one of Golden's preeminent families since just after it was built in 1997. The summertime picture of the front yard only hints at the loving care this home has received over the past 20-plus years. See a gallery of 33 pictures of this home at **www.MesaMeadowsHome.com**, including pictures of the mountain view from the formal living room. This is a large house, with 4 bedrooms and 3½ baths spanning 3,596 finished square feet. There's another 609 square feet of unfinished storage space in the walkout basement. It has a main-floor study, formal living and dining rooms, two family rooms (one in the basement) and an eat-in kitchen with access to a west-facing deck. It has a 3-car tandem garage, too. Access to the North Table Mountain open space park is just 2 blocks north, and the bicycle-pedestrian trail to downtown Golden (1½ miles away) is in Cressman Gulch park, just one block west. Because the sellers are downsizing, there's an estate sale happening this weekend, and the totally vacant home goes on the market next Wednesday, Feb. 27. **Open Sat., Mar. 2, 1-4 pm.**

GOLDEN REAL ESTATE

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