

# LIVE WATER P R O P E R T I E S

HUNTING - RANCHING - FLY FISHING - CONSERVATION

[Home](#)[Ranches  
for Sale](#)[Ranches by  
Type](#)[About Us](#)[News and  
Marketing](#)[Contact](#)

## FEATURED NEWS

### Tax-Deferred Exchanges: Pay Capital Gains Later—or Never

By: **Andrew Coulter**, Associate Broker

In order to best serve clients, Live Water Properties Brokers must be knowledgeable about all aspects of ranch real estate transactions. Far from being only focused on marketing and transactional issues, we must develop and maintain expertise—strong layman's knowledge at the minimum—in many fields, including:

- Wildlife issues and game laws
- Habitat restoration
- Farm and ranch agricultural operations
- Livestock management
- Forest management practices
- Family succession and estate planning
- Taxation issues pertaining to individuals and corporate ranch structures
- Water and mineral rights
- Agricultural commodities pricing and trends
- Property access challenges
- Comparative market analysis and appraisals
- Conservation easements and deed restrictions



We avoid giving clients legal advice. However, we can be on the lookout for possible risks and opportunities regarding personal tax implications in potential real estate transactions. An example is the Section 1031 Tax-Deferred Exchange, so named for Section 1031 of the Internal Revenue Code (referenced as §). Many of our clients are familiar with the §1031 exchange from personal experience, while others are merely aware of it, and some have never heard of it.

A §1031 exchange allows a Seller of appreciated property to re-invest the proceeds into a replacement

property and defer capital gains tax liability. This allows the Seller to preserve investment capital for reinvestment, as well as the ability to use that capital as collateral, if desired. The rules are complicated and strict, and the consequences of making a mistake can be expensive. Both the property that is sold (the “relinquished” property) and the property that is purchased (the “replacement property”) must be held for investment or business use. §1031s are sometimes called “like-kind” exchanges, but “like” means only that both are real properties. For instance, one could “1031” the proceeds of a ranch sale into a commercial building.

To completely defer realization of a capital gain, one must invest the entire proceeds of the sale into one's replacement property. Therefore, the replacement property must be of a value equal to or greater than the proceeds from the sale of the relinquished property, net of closing costs. Timing is critical. Once the sale is complete, the seller has 45 days to specifically identify one or more replacement properties and 180 days to close the purchase. It helps to be working with Buyers and Sellers who are flexible about timing. Gaining such flexibility might require some concessions regarding pricing and/or contingencies. A qualified §1031 exchange intermediary must manage all the assets in the transactions. In addition, I would highly recommend to clients that they have the counsel of at least an attorney or an accountant—preferably both. One could later exchange the new property into another through a second §1031 exchange and, theoretically, defer paying capital gains taxes indefinitely.

Last year, I helped a landowner sell a beautiful guest ranch. The property went under contract after just five months on the market, and the clients asked me to represent them in identifying a replacement property for purchase through a §1031 exchange. The timeline looked tight. Working with their 1031 intermediary, attorney, and accountant, we protected them. We negotiated a contingency that made the sale of their guest ranch dependent upon their ability to successfully execute a §1031 exchange. In the end, I helped them buy two replacement ranches. We closed all three transactions in two business days, and from recent reports, they have been extremely satisfied with their purchases.

Again, this is just an overview of the §1031 Tax-Deferred Exchange. There are many more rules that require the interpretation and advice of a lawyer or accountant. A Live Water Broker's job is not to provide legal or financial advice, but rather to identify clients' possible risks and opportunities and help them put together a successful transaction. It's what we do day in and day out and, judging by our track record, Live Water Properties Brokers are talented.

## FEATURED AGENT

### Andrew Coulter, Associate Broker

For 18 years, Andrew worked with the Wyoming Chapter of The Nature Conservancy heading up development and finance. In one four-year period, Andrew's team carried out a comprehensive conservation campaign that generated \$106 million in gifts of cash, land, and conservation easements that protected thousands of acres of conservation land in Wyoming. Through this work, Andrew also developed a strong layman's knowledge of land stewardship



and habitat management practices. Andrew and Amy and their two children are based in Lander, Wyoming, and enjoy fishing, camping, horseback riding, upland bird hunting, cycling, and alpine and Nordic skiing. Andrew helped ranch Sellers and Buyers complete nearly \$10 million in transactions in 2014.

## FEATURED PROPERTIES

### Indian Creek Lodge - Douglas City, California



The historic Indian Creek Lodge is situated on the banks of the Trinity River, one of the most beautiful and productive fly fishing streams in the Pacific Northwest. Comprising 8.64 acres, the Lodge includes 200 yards of stream frontage. [Read More...](#)

**Offering Price is \$1,750,000**

### Windsong Ranch - Buford, Wyoming





Located approximately 2 hours north of Denver, Colorado, and 25 minutes east of Laramie, Wyoming, is the 1,000±-acre Windsong Ranch. A secluded western retreat with direct access to the Medicine Bow National Forest, the ranch offers a unique blend of rich riparian corridors, mountain views and dramatic rocky outcrops. [Read more...](#)

**Offering Price is \$2,200,000**



## Live Water Properties

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