

TAXATION OF Real Estate Partnerships

CPE – 16 Credit Hours

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Course Outline *below*

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TOPICS – Day 1

- Sale of Real Estate – Basic Tax Issues
- Investor vs. Dealer
- Installment Sales
- Section 1031 Like-Kind Exchanges
- Financial Workouts and Partnerships

TOPICS – Day 2

- Acquisition & Development of Real Estate
- Taxation of Lease Transactions
- Partnership and LLC Operating Agreements
- Allocation of Partnership Income – Section 704(c)
- Allocation of Partnership Income – Section 704(b)

Designed For:

Professionals responsible for providing tax advisory and compliance services to real estate partnerships and limited liability companies.

Learning Objective:

The participant will be able to properly analyze transactions involving real estate partnerships with a view to achieve tax efficiency for both the partnership and its partners.

FOR

- Tax Partners ...
- Tax Managers ...
- Tax Seniors ...
- Tax Staff ...

**In Public Accounting or
Private Industry**

COURSE MATERIALS: Technical and Thorough

VISUAL AIDS: Power Point Presentation

SPEAKER: Steven C. Barranca, CPA, CGMA (more below)

DAY ONE - *MORNING SESSION*

8:30am – 10:15am (1 hour, 45 minutes)

- **Disposition of Real Estate**

1. Sale of Real Property
 - Basic Tax Analysis
 - Allocation of Sale Price / Allocation of Tax Basis
 - Unrecapture Section 1250 Depreciation
 - Treatment of Closing Statement Items / Tax Journal Entries
 - Five-Year “Look-Back” Rule / Section 1231 Gains and Losses
2. Foreclosure or Deed in Lieu Transactions
 - Nonrecourse vs. Recourse Debt
 - Accrued Interest – Special Considerations
3. Installment Sales
 - Computational Issues: Gross Profit Percentage and Contract Price
 - Effects of Closing Costs / Mortgage Liabilities
 - Prepayment Penalties and Defeasance
 - Contingent Payment Sales
 - Interest Charge Rule
 - Below Market Interest / Working with Original Issue Discount

10:15am – 10:45am (30 minutes) –MORNING BREAK

10:45am – 12:00pm (1 hour, 15 minutes)

- **Investor vs. Dealer**

1. Section 1237 and Subdiving Land
2. Capital Gain Stripping
3. Relevant Court Cases and Judicially Established Factors
4. Land Development Model – CASE STUDY
5. Condominium Conversion Model – CASE STUDY

12:00pm – 12:45pm (45 minutes) – LUNCH BREAK

DAY ONE - AFTERNOON SESSION

12:45pm – 2:35pm (1 hour, 50 minutes)

- **Section 1031 Like-Kind Exchanges**
 1. Section 1031 Analysis: A Worksheet Approach
 - Computation of Realized and Recognized Gain, and Property Basis
 - Handling Closing Costs: Transactional and Non-Transactional Costs
 - Pre-Exchange Financing and Post-Exchange Financing
 2. Section 1031 and Cost Segregation: The Hidden “Taxable Exchange”
 3. Complex Exchanges
 - Reverse Exchanges
 - Build-to-Suit Exchanges
 - Multi-Year Exchange
 4. Related Party Exchanges – Section 1031(f)(1) and (4)
 - a. Rev. Rul. 2002-83 and *Teruya Brothers*
 - b. Recent PLRs
 5. Partnership Issues
 - Partnership Divorces
 - Tenancy-in-Common Issues – Rev. Proc. 2002-22
 - Interplay of Sections 1031 and 754
 - Liability Relief: Section 752, 1031 and Rev. Rul 2003-56

2:45pm – 3:00pm (25 minutes) – AFTERNOON BREAK

3:00pm – 4:50pm (1 hour, 50 minutes)

- **Financial Workouts and Partnerships**
 1. Debt Modification Transactions
 2. Cancellation of Debt: Sec. 61(a)(12) - Ordinary Income Inclusion Rules
 3. Cancellation of Debt: Sec. 108 – Exclusion Rules
 - Bankruptcy and Insolvency
 - Qualified Real Property Business Indebtedness
 - Tax Attribute and Basis Reduction Rules
 4. Foreclosure and Deed in Lieu of Foreclosure
 5. Purchase Price Adjustment Re: Seller-Financing
 6. Partnerships: Special Tax Considerations
 - Special Allocation of COD: Rev. Rul. 92-97 and 99-43
 - Conversion of Debt to Equity – Section 108(e)(8)
 7. Partnerships / S Corps / C Corps – Brief Comparative

- **Debt-Financed Distributions**
 1. Interest Tracing Rules – Reg. 1.163-8T
 2. K-1 Reporting
 3. IRS Notice 89-35

DAY TWO - MORNING SESSION

8:30am – 10:15am (1 hour, 45 minutes)

- **Real Estate Development**

1. Purchase Real Estate
 - Allocation of Purchase Price
 - Treatment of Closing Costs
 - Leasehold Improvements
 - Repair vs. Improvement
2. Development of Real Property
 - Treatment of Construction Period Costs – General Rule
 - Development Stage Expenditures – Special Tax Treatment
 - Interest Capitalization
 - Common Area Costs (Rev. Proc. 92-29) - Accelerating Basis Recognition

- **Taxation of Lease Transactions**

1. Lease Acquisition Costs
2. Lease Cancellation Costs and Income
3. Lessee Construction Allowances: Section 110 Safe Harbor and Non-Safe Harbor
4. Section 467 Rental Agreements
5. Substance Over Form: Lease vs. Sale
6. Substance Over Form: Sale-Leaseback vs. Financing

10:15am – 10:45am (30 minutes) –MORNING BREAK

10:45am – 12:00pm (1 hr, 15 minutes)

- **Partnership and LLC Operating Agreements**

1. Understanding the Economic Arrangement
 - IRR and Preferred Return Computations
 - Calculating the “IRR Hurdle”
 - Effect of Delayed Preferred Capital Distributions
 - Capital Based vs. Priority Based Liquidations
 - Promote Allocations and Computations
 - Economic Impact of a DRO vs. QIO
2. Distribution and Income Allocation **Provisions**
 - Income vs. Cash
 - Preferred Returns, Hurdle Rates and IRRs
 - Promote Provisions
 - Waterfall or Tiered Income Allocation Provisions
 - Target Capital

12:00pm – 12:45pm (45 minutes) – LUNCH BREAK

DAY TWO - *AFTERNOON SESSION*

12:45pm – 2:35pm (1 hour, 50 minutes)

- **Allocation of Partnership Income – Section 704(c)**
 1. Contribution of Appreciated Property – Section 704(c) Built-In Gain
 - Nondepreciable Property
 - Depreciable and Amortizable Property
 - Reg. 1.752-7 Contingent Liability (“Built-in Loss Property”)
 - Integration of Sections 704(c) and 1031.
 - Integration of Sections 704(c) and 263A UNICAP
 2. Special Allocation Methods Re: Tax Depreciation
 - Traditional Method
 - Traditional Method with Curative Allocations
 - Remedial Method
 3. Mixing Bowl Transactions
 - Section 704(c)(1)(B) and 737 – “7 Year Distribution Rules”

2:45pm – 3:00pm (25 minutes) – AFTERNOON BREAK

3:00pm – 4:50pm (1 hour, 50 minutes)

- **Allocation of Partnership Income – Section 704(b)**
 1. Revaluation (“Book-Ups” and “Book-Downs”) of Partner Capital Accounts
 - Capital Account Maintenance Rules
 - Mandatory Capital Account Revaluation
 - Optional Capital Account Revaluation
 - Effect of Revaluation on Allocation of Pre-Revaluation Gain or Loss
 - Effect of Revaluation on Tax Depreciation
 2. Partner’s Interest in Partnership (facts & circumstance test)
 3. Substantial Economic Effect (safe harbor rules)
 - Deficit Restoration Obligation
 - Alternative Economic Effect
 - Qualified Income Offset Provision
 - Economic Equivalence Test
 - Minimum Gain Chargeback Provision
 - Value-Equals-Basis Rule
 - Target Allocation Provisions
 4. Allocation of Nonrecourse Deductions
 5. Allocation of Tax Credits
 6. Special Allocations: The Boundaries

Course Outline
TAXATION OF REAL ESTATE PARTNERSHIPS

<p>Program Details</p> <p>Time DAY 1: 8:30am – 4:50pm DAY 2: 8:30am – 4:50pm</p> <p>Course title <i>Taxation of</i> Real Estate Partnerships</p> <p>Method of presentation <u>Group-Live</u>: Lecture, discussion, question and answer</p> <p>Recommended CPE credit 16 hours</p> <p>Field of study Taxation</p> <p>Prerequisite Knowledge in partnership taxation</p> <p>Advance Preparation None</p> <p>Course level Intermediate</p> <p>Developer Steven C. Barranca, CPA</p> <p>Fee To be determined in accordance with our fee schedule and in advance of date of seminar presentation.</p> <p>Refunds and Cancellation Refunds will be issued for conferences provided written notice of cancellation is received 10 business days prior to the course date. No transfers will be made after the course date.</p> <p>Complaint Resolution For information regarding administrative policies such as complaint and refund resolution, please contact our offices at: (732) 687-0346.</p>	<p>Speaker</p> <p>STEVEN C. BARRANCA, CPA, CGMA Professional Experience: Steven Barranca has over 25 years of public accounting experience with regional and national firms. Steve specializes in the taxation of real estate partnerships. Steve has extensive experience real estate developers, investors, operators, syndicated real estate deals, tiered-entity-structures, low-income housing projects, UPREIT structures and compliance matters, tax-exempt investors, and Section 1031 like-kind exchanges. Steve also works heavily with corporate and partnership debt workouts. He consults frequently on FAS 109 tax accrual matters for public and middle-market companies.</p> <p>Speaking: Steven Barranca is a frequent speaker on partnership taxation and real estate transactions. He has authored materials for continuing professional education providers including the Center for Professional Education, Inc. Steve is an adjunct professor with New York University (NYU) and teaches accounting, finance and taxation in the NYU Graduate Real Estate Program. Steve Barranca has been invited to speak at various high profile events including the AICPA's National Real Estate Conference (2000, 2001, 2005), NYSSCPAs Annual Tax / Plenary Conference (2003, 2006), NYSSCPAs Westchester Annual Tax Conference (2000, 2001, 2002, 2003) DFK International, Inc. – Multidisciplinary Conference (2005, 2007, 2011).</p>
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