

OMNIA

LAW GROUP, APC

INSTALLMENT SALE
&
MONETIZATION
LOAN



ABOUT US

Ernest J. Kim, Esq.

Education: B.A. – University of California – Berkeley

J.D. – Cornell Law School

**Certification: Certified Specialist in Estate Planning, Trust, and
Probate Law by the State Bar of California**



PURPOSE

Save Capital Gains Tax:

People are retiring and want to sell their rental property, shopping center, homes, etc.



CAPITAL GAINS TAX 2016

	TAX RATE
FEDERAL	20%
FED. RECAPTURE	5%
CA STATE	13.3%
NIIT	3.8%

HIGHEST TAX BRACKET:
30% TO ~40%



CAPITAL GAINS TAX 2016 (EXAMPLE)

CLIENT SELLS REAL ESTATE

- SALES PRICE: \$1.1 million
- ORIGINAL PURCHASE PRICE: \$200,000
- DEPRECIATION: \$100,000
- COST: \$100,000
- GAIN: \$1 million
- TAX (35%) = \$350,000



CAPITAL GAINS TAX 2015 (EXAMPLE)

COUPLE SELLING COMMERCIAL REAL ESTATE: TAXABLE GAIN

1. SALES PRICE	\$ 1,100,000
2. COST (PURCHASE PRICE – DEPRECIATION)	- 100,000
4. TAXABLE GAIN	1,000,000
5. 35% CAPITAL GAINS TAX DUE	350,000
<hr/>	
6. GROSS DUE TO SELLER	\$ 750,000



TAX CODE BASICS

An **installment sale** is a method in which an asset can be sold for value, whereas the payment for asset occurs over an extended period of time. This type of sale method functions under the Internal Revenue Code Section number 453.

This tax code was drafted to specifically address installment sales and has been in effect since the establishment of the tax code in 1913.



CHIEF COUNSEL MEMO APPROVES!

On August 24th, of 2012 the IRS via the Office of its Chief Counsel issued Memorandum No. 20123401F which approved tax deferral for an installment sale under Sec. 453. Whereby, an installment transaction was/is combined with a monetization loan.



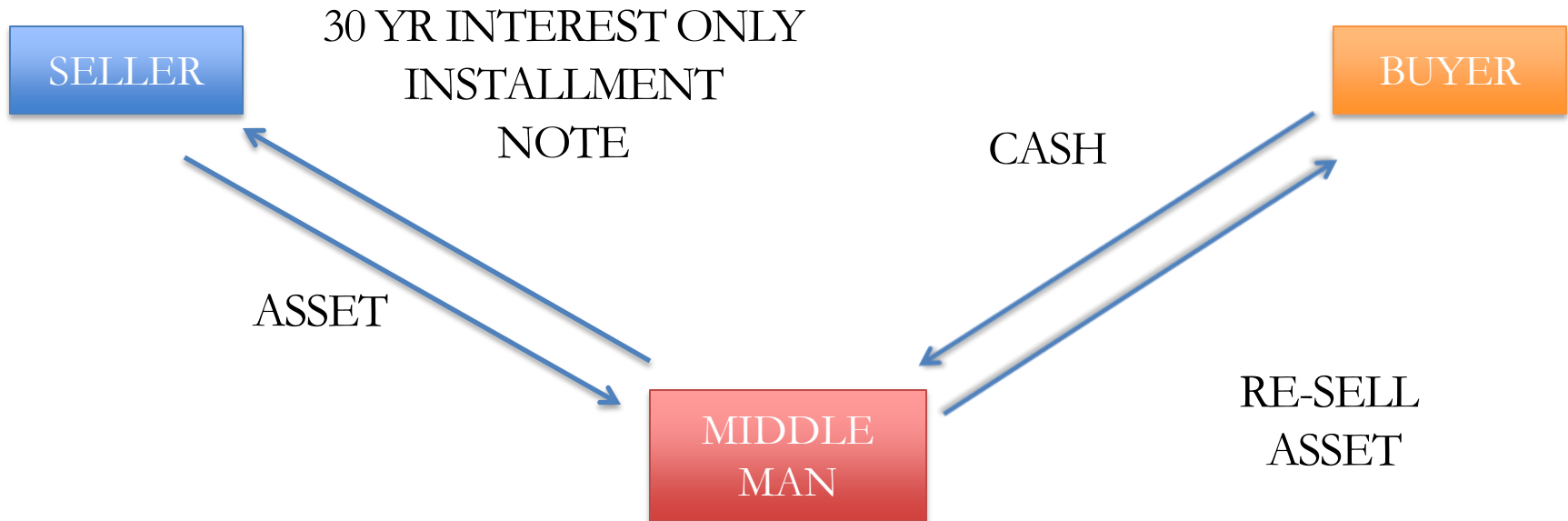
HOW IT WORKS

INITIAL AGREEMENT



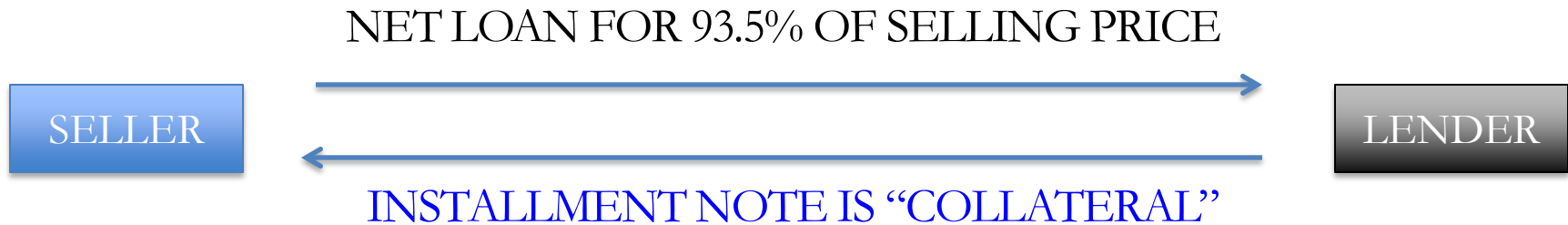
HOW IT WORKS

STEP 1: INSTALLMENT SALE



HOW IT WORKS WITH US

STEP 2: LOAN

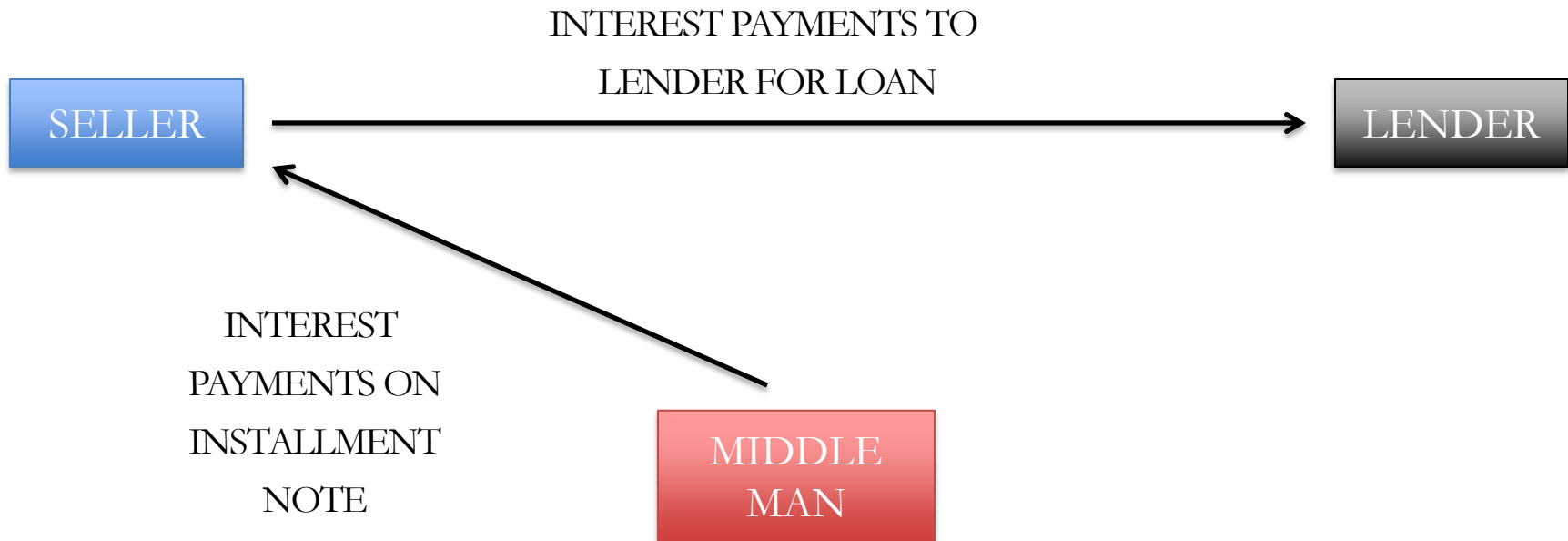


30 YR INTEREST ONLY LOAN



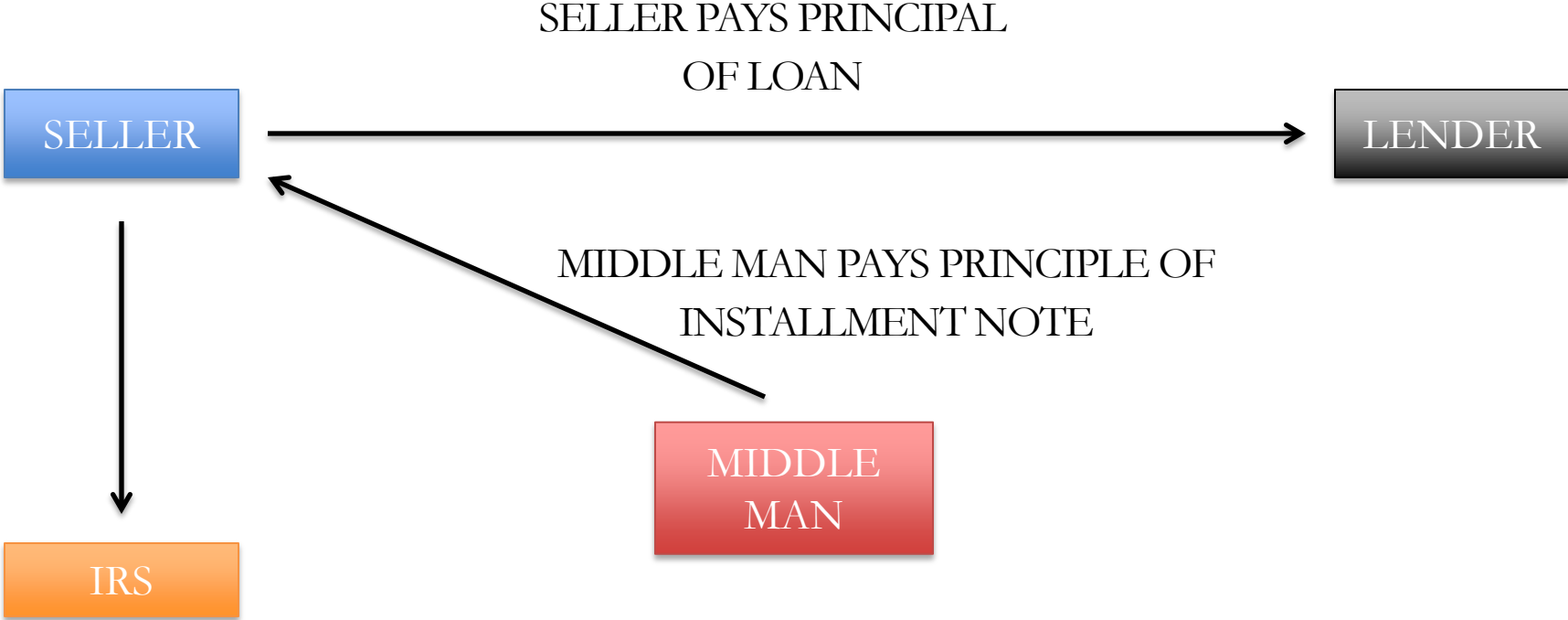
HOW IT WORKS

INTEREST CANCELS OUT – TAX NEUTRAL



HOW IT WORKS

30 YEARS LATER



TAXES OWED WHEN GAIN RECEIVED



COMPARISON

COUPLE SELLING COMMERCIAL REAL ESTATE: TAXABLE GAIN

1. SALES PRICE	1,100,000	1. SALES PRICE	1,100,000
2. COST	- 100,000	2. COST (6.5%)	- 71,500
4. TAXABLE GAIN	1,000,000	3. GROSS TO SELLER	\$ 1,028,500
5. 35% TAXES	350,000		
6. GROSS TO SELLER	\$ 750,000		



Power of Compounding

CLIENT RECEIVES: \$1,028,500 (VS. \$750,000)

CLIENT RECEIVES EXTRA \$278,500!!!

INVESTED AT 3% PER YEAR FOR 30 YRS, IT
BECOMES **\$675,992.**



CHIEF COUNSEL MEMO APPROVES!

On August 24th, of 2012 the IRS via the Office of its Chief Counsel issued Memorandum No. 20123401F which approved tax deferral for an installment sale under Sec. 453. Whereby, an installment transaction was/is combined with a monetization loan.



QUESTIONS?

&

CONTACT ME AT:

ERNEST@OMNIALAWGROUP.COM

