



Personal property like-kind exchange (“LKE”) programs

Tax issue:

Companies that recognize taxable gains on the sale of business assets may be unnecessarily spending valuable investment dollars on federal income taxes. The like-kind exchange (LKE) provisions under Internal Revenue Code Section 1031 allow companies to defer the recognition of taxable gains if they utilize the sales proceeds from the sale of assets to purchase similar business assets such as companies with portfolios of leased or rented assets or companies with vehicle fleets used in their operations.

Many companies with significant portfolios of personal property have not taken advantage of the like-kind exchange provisions because of the complexity of tracking relinquished and replacement assets, and Internal Revenue Service (IRS) rules that require a third party Qualified Intermediary to facilitate the exchange.

Companies that have utilized bonus depreciation have benefited from the increased depreciation deduction but will face a significant tax bill when they go to sell these assets due to the corresponding reduction in the tax basis of the assets due to increase depreciation.

Solution:

Petroleum Strategies' Like-Kind Exchange Service offers a comprehensive LKE tax compliance solution for companies with significant portfolios of personal property. We work closely with some of the leading accounting firms, who offer a comprehensive web-based LKE tax compliance solution for companies with significant portfolios of personal property. Our joint solution simplifies and automates the administrative processes needed to satisfy the stringent IRS LKE requirements in a cost-effective and efficient manner.

Petroleum Strategies can help design, implement, and manage a LKE program for your company that does not require significant time from you or substantial changes to your current processes. Leveraging our accounting firm partners, who manage the record-keeping required by the IRS regulations, and automatically match like assets and calculate depreciation and deferred gain. This approach provides both tax compliance and reporting for our clients on an outsourced basis, requiring little ongoing effort on the part of internal company personnel.

Petroleum Strategies solution is scalable to companies with both large and small portfolios of LKE eligible assets. Petroleum Strategies has helped many companies implement LKE programs.

Benefits:

Our LKE solution utilizes our accounting firm partners, and addresses many of the common issues of an LKE program and also provides many additional benefits, including:

- Embeds the LKE process as part of company’s regular transactional processes
- Automates tracking and reporting for transactions
- Automates interaction with qualified intermediary
- Calculates Notice 2000-4 “step in the shoes” depreciation and bonus depreciation
- Maintains federal and multi-state depreciation calculations

- Optimizes gain deferral
- Automates asset matching and tracks details of each like-kind exchange
- Offers robust reports reviewed by top accounting firm professionals
- Provides online access to reports and program activity

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