



**NEWSLETTER**  
**Port Angeles**  
**Business Association**

**February 2007**



**Our Purpose**

- To promote all business in the Greater Port Angeles area.
- To provide information regarding business development in the Greater Port Angeles area.
- To increase business growth and develop jobs within the market place.
- To retain the private enterprise system with free competitive markets.

**P.A.B.A.** is a dynamic, diverse-membership organization representing business men and women in the greater Port Angeles area. Our members are the active business leaders in our community from both large and small businesses. At any meeting you may be sitting next to the owner of a hotel, restaurant, technology business, sign maker or an elected official. Our focus is to be actively opening the door to business opportunities critical to maintaining a strong and healthy economy.

**P.A.B.A.** is a renowned and respected organization that provides community and business leadership as we participate in and encourage the growth of local business. We actively encourage new business investment in our area with a concern for our heritage as well as our wonderful quality of life. We help to position Port Angeles as the premier place for business on the North Olympic Peninsula.

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Tax Consequences of Buying and Selling Real Estate

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**Guest Speaker:**

Mark Harvey and Sheryl Lowe

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**Guest Speakers:**

PAHS Teacher David Uranich & eight students

**February 27th, 2007**

**Guest Speaker:**

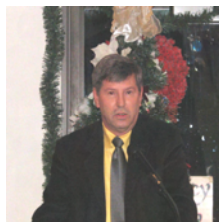
PABA Open Meeting

**Computer Corner**

Tip and Tricks for your Computer

**Guests are welcome** at our meeting. Join us and meet our local business and civic leaders and find out first hand the important issues of the day. We encourage anybody to join us at Joshua's Restaurant in Port Angeles on Tuesdays at 7:30am to participate in a hometown organization whose interest is that Port Angeles will remain a great place to live and an exciting place to do business. The Port Angeles Business Association means business.

## SPECIAL SECTION



### PABA's own Rob Onnen discusses taxes and the sale of Real Estate.

Before selling any real estate, he says you should always consider the tax consequences and the various methods of legally avoiding the grim tax reaper. Since 1993 Onnen has assisted over 5,000 clients with their 1031 exchanges. He welcomes the opportunity to discuss your unique situation at no cost or obligation.

## February 06, 2007

Open Meeting Topics - Facilitated by Andrew May

PABA Mission and Role Discussion  
Starting a PABA Social Function  
Port Angeles Storm Water Issue

## February 13, 2007



### Mark Harvey, Director, Senior Information & Assistance

### Sheryl Lowe, CARE Project Director

Mark works for the Olympic Area Agency on Aging. His job is to provide information and assistance to adults age 60 and above.

Sheryl described the CARE Project. CARE stands for Community Advocates for Rural Elders. It is a federal grant designed to keep older adults independent and to help them remain in their homes.

## February 20, 2007



PAHS Teacher David Uranich brought eight of his students (Jace Gossage, Isaiah Anderson, Morgan Allen, Shamber Edwards, Ben Smithson, Geoff Bower, Amelia McCue,

and Erica Sponberg) who presented 5 complete mock business plans. The plans are as follows;

### Envy PC

### All Alcohol All The Time

### Retrospective Salon

### Bella Sera

### The Salish Sea Aquarium

The projects were innovative, thoroughly researched and well done. Definitely one of the **best** PABA programs ever presented. Thank you all!

## February 27, 2007

Open Meeting Topics - Facilitated by Andrew May

Rayonier Site: Orville framed the following question for our guests next week: What specifically are the Lower Elwha, Rayonier and Ecology going to do to move this project faster?

Andrew recognized Ray Gruver for his efforts in getting the Port Angeles School District levy passed.

PABA: Social Mixer

PABA will schedule an event 4 times a year, PABA to provide basic refreshments (drinks) and the hosting business to provide the food. They also suggested the second Thursday of the month and a 6 PM start time.

## COMPUTER CORNER

### MICROSOFT VISTA?

Please be cautious before purchasing a new desktop or laptop with Microsoft's new operating system "Vista". We are finding that **many** programs (ie: Quickbooks) will not install on it properly. Five years ago Microsoft announced that they would be requiring software developers to program a different way so Microsoft could keep their operating systems "clean" and secure. These same software developers ignored Microsoft's warnings and so now it appears Microsoft is to blame when in fact the program developers are.

*"I am old enough to know, that the more I know, the more I know I don't know." Craig E. Johnson*

## SPECIAL SECTION

Before selling any real estate, you should always consider the tax consequences and the various methods of legally avoiding the grim tax reaper. If you have lived in the dwelling any two of the last five years, then you should qualify for tax-free treatment of some or all of the gain in value. A single person can qualify for up to \$250,000 of gain tax-free. A married couple could save up to \$500,000. This is no longer a once in your lifetime opportunity and there is no more minimum age (formerly 55). Furthermore, you do not have to spend any of the money on another home.

If you are selling land, then the question becomes how long have you owned it and how much has it gone up in value?

For example, the 5 acre lot you bought 10 years ago near the lake for \$10,000 is now selling for \$110,000. An outright sale would result in roughly \$15,000 in federal capital gains tax. **But what if you did an exchange instead?** You could easily qualify for a loan to purchase a \$400,000 triplex and pay no capital gain tax to the IRS.

If you are thinking about selling rental property, a tax-deferred exchange would avoid the 25% tax on depreciation and the 15% tax on the rest of the gain. To sell on a delayed basis will require the services of a qualified intermediary (such as yours truly) and strict adherence to the IRS timelines and guidelines. Your own tax advisor should advise you. Together we work with all local CPA's and attorneys to steer you through the uncharted waters of the safe harbors of the IRS.

If you sell your business and it includes real estate, there are several tax saving strategies to consider. Selling a **"Bed and Breakfast"** for example, provides the opportunity for both the tax-free sale of your personal residence and the tax-deferred exchange savings of Section 1031 of the Internal Revenue Code. Other great opportunities arise with the sale of the family farm or similar mixed-use properties.

There are several new investment opportunities that the IRS has blessed for reinvesting 1031 sale proceeds. You could become a "tenant-in-common" with other folks and own a shopping center, an apartment complex, or even a high-rise office building.

The 1031 process begins with a phone call from the taxpayer to their chosen Qualified Intermediary (hereinafter "QI").

You must make the call BEFORE you sign your closing papers on the day of closing. If you wait to call on the next day, it is too late.

Once we receive your call (or a call from your realtor), we will coordinate directly with the Escrow Officer. The QI will prepare an Exchange Agreement, an Assignment of your Sales Agreement, and written Escrow Instructions including wire transfer instructions.

When you attend your closing, you will be asked to sign the traditional paper work (settlement statement, statutory warranty deed, etc.) and the exchange paper work. Escrow will then wire transfer the net sale proceeds to the QI. The QI will open an interest-bearing bank account in your name and await your instructions.

The exchange clocks begin to tick the day after closing. You will have up to 45 calendar days to identify up to 3 properties which you are considering (the QI will provide a sample form for this purpose). You will also have a maximum of 180 calendar days to actually purchase one or more of the properties identified. If you use all 45 days (most clients send us a fax on the 45th day), then you only have an additional 135 days or a total of 180 days to reinvest your 1031 proceeds. If your last day falls on a Saturday, Sunday, or legal holiday, the IRS does NOT give you the next business day to complete your action.

If you decide to consider utilizing the 1031 process, you should realize that your proceeds will be tied up until you either instruct the QI to purchase a replacement property or you exhaust the 45 day identification period and decide not to identify any properties. Under the latter circumstances, you can then receive your 1031 proceeds (plus interest) on the next business day that the bank is open.

These rules are NOT designed by the IRS to simplify your tax life. That is the job of a good QI. Be sure to choose your QI with care. The QI should have ample experience and ample bonding to protect the integrity of your funds. Most experienced QI's will be members of the Federation of Exchange Accommodators and have a Certified Exchange Specialist on staff. QI's can not, however, provide LEGAL or TAX advise so always consult with your own tax advisor.

Since 1993 I have assisted over 5,000 clients with their **1031 exchanges**. I would welcome the opportunity to discuss your unique situation at no cost or obligation.

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