# Tax Deferred Installment Sale Transactions

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1. **Traditional business sale.** Multiple business asset sales with allocation to inventory, equipment, and non-compete agreements with the remainder to personal or business goodwill. All assets except goodwill were taxable cash sales. The goodwill portion was sold through a trust/LLC installment sale with the terms and interest rate of the note dependent upon the income needs, investment objectives, and risk tolerances of the seller.
2. **Sale of a private asset.** Private entity stock (LLC, C Corporation, S Corporation) and other private assets (real estate and private stock option) have been transferred through the trust/LLC installment sales with 100% tax deferral.
3. **Sale of real estate.** Multiple real estate transactions with significant flexibility. In some circumstances we used the trust/LLC installment sale to gain more liquidity and diversification for clients who held significant real estate positions. Depending upon the needs of the clients, we have been able to allocate real estate sales among cash proceeds, 1031 exchange needs, and trust/LLC installment obligations to fit client’s cash, income, estate, liquidity and diversification needs.
4. **Sale of real estate to minimize debt.** Installment sales through entities have been done where the client desires to sell real property but not take on any future debt (which cannot be done with a 1031 exchange). In that case (if there is reasonable basis) the debt is assumed by the entity at the sale, as debt assumed by a buyer in conjunction with an installment sale is deducted from basis. As long as there is not a mortgage over basis (MOB) situation, this can be done at no current tax cost with the client receiving an installment note equal to its equity in the real estate.
5. **Sale by partners desiring different outcomes.** In past transactions we have restructured partnership agreements to allow individual partners to exit via different taxable manner(s) at closing, with the remaining partners deferring the portion of taxes they desire to mitigate. After exiting partners are removed, combinations of entity installment sales, 1031 exchanges and cash sales are mixed so that the remaining partners can end up with an investment mix they so desire.
6. **Distribution of notes with partnership/entity dissolutions.** We have facilitated partnership and S Corporation dissolution plans so the real property assets and installment notes remaining in the partnerships can be distributed to the respective individual partners in a non-taxable manner.

There are risks associated with investing in real estate including, but not limited to, loss of entire principal, declining market values, tenant vacancies and illiquidity. There are risks associated with Deferred Sales Trust including, but not limited to, higher set-up fees than a 1031 exchange, improper management, non-deferral of excess accelerated depreciation, and owner asset control restrictions. Tax deferred installment sales may run the risk of, but not limited to, purchaser default and property exclusions. Return expectations are not a guarantee of future results. Because investors' situations and objectives vary, this information is for educational purposes only and any recommendation is not intended to indicate suitability for an particular investor. This material is not meant to be tax or legal advice.