**Market News**

**New Medicare Tax & the Real Estate Impact**

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1031 tax deferred exchanges, which have been a vital part of the tax code since 1921, provide property owners with significant tax advantages. One of the many benefits of exchanging is the ability to obtain full (or partial) tax deferral and reinvest net equity into replacement properties that are expected to provide better investment returns. Savvy real estate investors use exchanges to acquire larger and more desirable investment properties. The wide range of qualifying “like-kind” property is extremely diverse and can include raw land, farms/ranches, income property, commercial, easements, certain water rights, oil/gas interests and even vacation homes held primarily for investment.

With potential tax increases looming on the horizon, the value of tax deferral mechanisms, such as Section 1031 exchanges, have never been greater. One example of a potential tax increase, which appears likely to take effect is the new Medicare tax, a part of the Health Care and Education Affordability Reconciliation Act of 2010 recently upheld by the Supreme Court. The Medicare tax, which goes into effect on January 1, 2013, will impose a 3.8% tax on the net investment income of joint filers with adjusted gross income over $250,000, and single filers with adjusted gross income over $200,000.

The new Medicare tax applies to adjusted gross income (the figure on the bottom of the front page of IRS Form 1040), which includes interest, dividends, capital gains, wages, retirement income and income from partnerships and small businesses. It appears the tax will also apply to dividends, rents, royalties, interest (except municipal bond interest), short and long-term capital gains, the taxable portion of annuity payments, income from the sale of a principal residence above the $250,000/$500,000 exclusion, gain from the sale of an investment property or a second home, and passive income from real estate and investments in which the taxpayer does not materially participate.

The National Association of Realtors (NAR) has prepared a brochure that contains a summary of the impact of this new Medicare tax on real estate investors and includes examples of several different investor scenarios. Click [here](#) to access the NAR Booklet, The 3.8% Tax: Real Estate Scenarios & Examples.

In addition to the new Medicare tax discussed above, the “Bush-era Tax Cuts,” which went into effect in 2001, are scheduled to expire at the end of this year. If the Bush-era Tax Cuts are allowed to expire due to inaction by Congress, the Federal capital gain tax rate will increase to 20%, and the highest marginal tax rate for ordinary income will increase from 35% to 39.6%.
Future tax rates remain uncertain. But taking into account the imposition of the new 3.8% Medicare tax, and the uncertainty regarding the Bush-era Tax Cuts, on January 1, 2013 taxpayers could face one of three scenarios:

1) If Congress extends the Bush-era Tax Cuts, the top Federal tax rate on long-term capital gains will increase from 15% to 18.8%.

2) If Congress lets the Bush-era Tax Cuts expire, the top Federal tax rate on long-term capital gains will increase from 15% to 23.8%, and the top tax rate on dividends will nearly triple to 43.4%.

3) If Congress extends the Bush-era Tax Cuts, but not for all tax brackets, this will result in a combination of the above two scenarios, and the top Federal tax rate on long-term capital gains will likely rise for higher earners, but not for all tax brackets.

Despite these potential tax increases, one aspect of the tax code provides real estate investors with a huge tax advantage. A Section 1031 exchange allows real estate property owners holding property for investment purposes to defer taxes that would otherwise be incurred upon the sale of investment property. Educated investors use 1031 exchanges to redeploy their investment capital into better performing investment properties. An exchange provides an opportunity for investment property owners to defer capital gain taxes.

For more information please contact Scott Saunders with Asset Preservation, Inc. at 800-282-1031 or scott@apiexchange.com.

NEW LISTINGS

Lazy Bar F Ranch - Cody Wyoming

Situated in the South Fork of the Shoshone River Valley, 50 miles southwest of Cody, Wyoming, is the Lazy Bar F Ranch. Comprised of 152 deeded acres, including 50 acres of river bottom, 30 acres of meadows and 72 acres of pasture, this ranch has a variety of unique terrain. It offers habitat to wildlife, including elk, moose, pronghorn, Mule deer, mountain lion and the occasional grizzly bear or wolf. Surrounded by public land on three sides, an incoming owner will enjoy privacy and peace unrivaled by other ranches. The South Fork of the Shoshone River runs along the property for approximately one mile with two small creeks to compliment the river, providing excellent onsite fishing opportunities for rainbow, brook and brown trout. Beautiful natural and irrigated meadows scatter the ranch, the latter of which is used for hay production. Year round accessibility provides the opportunity to live on the ranch continually or make this a summer vacation property. Improvements include eight well-kept guest cabins; a lodge containing two dining areas, a large kitchen and living room; a 2-bedroom manager’s cabin; and an owner’s modern home that is elevated with incredible views. A conservation easement envelopes the majority of the property, however 20 acres are unencumbered for further improvements. Nearby amenities include hotels, dining, shopping, museums, a state-of-the-art hospital and Cody’s Yellowstone Regional Airport, which offers daily flights to Denver and Salt Lake City. Yellowstone National Park is within two hours of the ranch, providing endless exploration opportunities. Lazy Bar F Ranch is an ideal choice for a family or corporate retreat.

Offering Price is $5,600,000
Fish Creek Overlook - Wilson, Wyoming

Ideally located 2 minutes south of Wilson, Wyoming, in one of the most sought-after areas of Jackson Hole is Fish Creek Overlook. Situated on a private and wooded 5.13-acre lot with stunning views of the renowned Fish Creek Ranch, the home utilizes the finest in custom finishes and state-of-the-art systems. This immaculate 6,304 sqft home is great for year round living or as a second home with plenty of room for visiting family and friends. The residence boasts a spectacular gourmet kitchen, expansive great room and six bedrooms, each with private baths. The sprawling outdoor spaces feature large decks and patios with expert craftsmanship by a well-known Jackson Hole builder and architect. This home is one of only two in the Jackson Hole Valley that possess the deeded right to fish on adjacent Fish Creek Ranch. Fish Creek represents the finest private fly fishing that Jackson Hole has to offer. On this lightly-pressured water large cutthroat trout eagerly eat dry flies. Fish Creek Overlook is an incredible offering with a custom home, spectacular views and excellent private fishing, all within minutes of the culturally-rich amenities of Jackson Hole, including the Jackson Hole Mountain Resort.

Offering Price is $5,200,000

Double S Ranch - Daniel, Wyoming

Situated along the banks of North Cottonwood Creek with breathtaking mountain views, the Double S Ranch is conveniently located eight miles southwest of Daniel, Wyoming, and one hour from Jackson Hole. Comprised of 1,077 deeded acres with an additional 640 acres of state land, the ranch is a mix of irrigated meadows, sub-irrigated pastures, willow-lined creek bottoms, sagebrush ridges and a multi-colored bluff with stunning rock formations. Enjoy casting a line into North Cottonwood Creek or Killpecker Creek, both run through the property for three miles providing trophy trout fishing. An additional 10 miles of North Cottonwood Creek is available upstream for fishing on “the Ryegrass” fishing parcels. Double S Ranch has rich water resources, which can be used to irrigate and graze cattle through the summer and fall or for hay production. The improved irrigation infrastructure, artesian water well and domestic water well are additional water contributions. A portion of the ranch is under a conservation easement and mainly consists of the wet and irrigated lands. Pronghorn antelope, Mule deer, moose and Sage grouse call this ranch home, as do many other wildlife species. Improvements include a charming two-story 4-bedroom, 3-bath log home and a 1-bedroom, 2-bath log guesthouse or caretaker’s home with attached garage. Outbuildings are plentiful including a horse barn with tack room, a 4,800 sqft calving and equipment barn and shipping facilities with scales and corrals. Included with the sale of the Double S Ranch are the appliances, furnishings and equipment, all well kept and in good condition, providing a turnkey operation ready for enjoyment.

Offering Price is $2,450,000
Flat Creek Ranch - Star Valley, Wyoming

Located less than an hour from the resort community of Jackson Hole, Flat Creek Ranch is a true spring creek offering in the heart of Star Valley in Thayne, Wyoming. The ranch consists of 138 +/- acres of open meadow pastures, mature cottonwood trees, willows and open grasslands with a half mile of the Salt River bordering the property on its western boundary. Flat Creek meanders through the heart of the ranch for ¾ mile providing an intimate spring creek fishery filled with native cutthroat and a healthy population of brown trout. Improvements on the ranch include a 2,900 sqft turnkey residence and a 600 sqft log guest cabin that overlooks Flat Creek and has mountain views in every direction. With a creekside home, incredible scenery and private spring creek fishing all within close proximity to the resort town of Jackson Hole, Flat Creek Ranch is a first class offering.

Offering Price is $2,900,000

PRICE REDUCTIONS

Sleeping Dog Ranch - Lake City, Colorado

The 309-acre Sleeping Dog Ranch is located in southwestern Colorado in the picturesque San Juan Mountain Range. Situated 20 miles from Lake City, Colorado, the resort community of Gunnison is 50 minutes away offering all the recreation in Gunnison National Park, as well as shopping needs. Commercial air service is available through United and American Airlines at the Gunnison-Crested Butte Regional Airport, and a 10,000 ft airstrip is offered at the full-service airport FBO. The ranch sits between striking alpine peaks at approximately 9,000 feet in elevation, surrounded by hundreds of thousands of acres of public lands. Roughly two miles of Cebolla Creek flows through the ranch offering exceptional dry fly and streamer fishing. Many recreational opportunities are out-the-door with jeep, ATV, hiking and horseback riding trails in multiple directions. Enjoy hiking the maintained trails into the Powderhorn Wilderness Area or fishing one of the many high lakes up the jeep trails. Take pleasure in the incredible hunting of Powderhorn Park or a late evening wildlife viewing of elk, deer, moose and Bighorn sheep. Located in the world-famous Big Game Unit 66, Sleeping Dog Ranch offers outstanding elk and Mule deer hunting and qualifies for landowner hunting licenses. Sleeping Dog Ranch is rich in sporting traditions, offering some of the best fishing and hunting in the state, all within close proximity to the resort town of Gunnison.

Offering Price is $3.15M, Reduced from $3.5M
Clearwater Lodge - Fall River Mills, California

Nestled in a canyon along the Pit River in the heart of the west coast’s best fly fishing, in a hidden corner of northeastern California, is the Clearwater Lodge. This picturesque western fly fishing lodge on 43 acres offers several accommodations for family and friends and has historical flair. Choose from the main Lodge, Annex or one of several charming cabins. Connected to the Lodge by a portico, the Annex provides European-style lodging with six single bedrooms and two large shared baths. The Annex’s spacious sitting room features a natural rock fireplace and is perfect for gathering with friends to share golf stories and fishing encounters. The Lodge offers seven comfortable bedrooms in the main building, each featuring queen bed and private bath. Fly fishing prints decorate the walls in the Lodge, and featured in the rooms are antiques and Oriental rugs. Clearwater Lodge is located in the fabled “Intermountain Area” between the breathtaking peaks of Mt. Lassen and Mt. Shasta. Fishing is unparalleled, with convenient proximity to the Fall, Hat, McCloud and Lower Sacramento Rivers. River canyons cut the land, and there is water everywhere in springs, creeks, lakes and rivers. This California ranch for sale presents an excellent opportunity to continue the rich tradition of a successful, seasonal business, including real estate, personal property and inventory. The Lodge and land are a full-service fly fishing destination, offering dining, accommodations, guiding and instruction on northeastern California’s five great wild trout rivers and spring-fed stillwaters.

Must Sell - Bring All Offers!
Offering Price is $1.4M, Reduced from $1.999M

SOLD RANCHES

Tebbe Tejon Ranch - Ridgeway, Colorado

The Tebbe Tejon Ranch is a 246-acre offering with a custom log cabin and multiple spring-fed ponds near Ridgeway, Colorado. Surrounded on three sides by national forest, the ranch offers recreational enjoyment with an exceptionally scenic mountain retreat. Recreational opportunities include a tremendous big game habitat and near infinite access to horseback riding and hiking trails. Live Water Properties represented the Seller in the sale of this exclusive unlisted ranch.

Crazy Mountain Retreat - Big Timber, Montana

The 223-acre Crazy Mountain Retreat is an outdoor lover’s paradise. With breathtaking alpine views and over a half mile of private fishing on Big Timber Creek, this ranch offers privileges others do not. Only two miles to National Forest Service and 15 minutes to Big Timber, this Montana ranch for sale is in the foothills of the Crazy Mountains with a rolling topography and a wide variety of vegetation and wildlife. Easy access off the lightly traveled
Big Timber Canyon Road leads to numerous scenic and private building sites. After visiting this area and experiencing the postcard views and seclusion, one will love that the Big Timber Canyon and this corner of the Crazy Mountains has remained largely undiscovered.

**Offering Price was $1,545,000**

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### Darlington Spring Creek Ranch - Three Forks, Montana

Darlington Spring Creek Ranch is an exceptional recreational ranch situated in the lower Madison Valley outside Three Forks, Montana. A short 30-minute drive west of Bozeman, the property offers a rare shot at the peaceful lifestyle and abundant fishing. There is small town charm yet big city amenities. Consisting of 108 acres, the property boasts ¾ mile of Darlington Spring Creek, a fishery known to hold gigantic trout. This classic spring creek contains the water quality and wildlife habitat anglers dream about. Improvements include a well-built 4,060 sqft farm-style home, constructed in 2004 with 4 bedrooms, 3 baths and a 3-car garage. The property is bordered on the west by over 800 acres of state land providing direct access to the Madison River and Darlington Ditch, both excellent trout fisheries. This section of the Madison River is famous for its braids, channels and low angling pressure. The Darlington Ditch runs along the western boundary of the property and has undergone habitat restoration projects sponsored by Trout Unlimited. The area is well known as a major waterfowl flyway with rich river bottom. Wildlife includes pheasant, Hungarian partridge, geese, ducks and Whitetail deer. Location, recreation, outstanding fishing and the spring creek habitat make Darlington Spring Creek Ranch a rare opportunity in all of Gallatin County.

**Offering Price was $1,175,000**

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### Powder Ridge Condo - Big Sky, Montana

This 4-bedroom, 3-bath, Powder Ridge condo boasts three levels. It has resort amenities and the ability to ski from the deck, and ski from the trail back onto the deck. The unit has direct ski in/ski out access to the White Otter lift off the front deck. Sold fully furnished with owner's artwork and personal items excluded. This unit includes custom upgrades not found in any other Powder Ridge condo including a dry bar on the main floor and wet bar on the lower floor. This unit has never been a rental, has a massive wood-burning river rock fireplace, front deck with secure storage closets for owner lock-off, an
additional deck off the kitchen for summer entertaining and lower level covered deck with private hot tub. Secluded, yet near the Mountain Village Center, this unit has been lovingly cared for by its owner who is selling due to a purchase of a larger property in the resort. Live Water Properties represented the Buyer in the sale of this property.

**Offering Price was $795,000**