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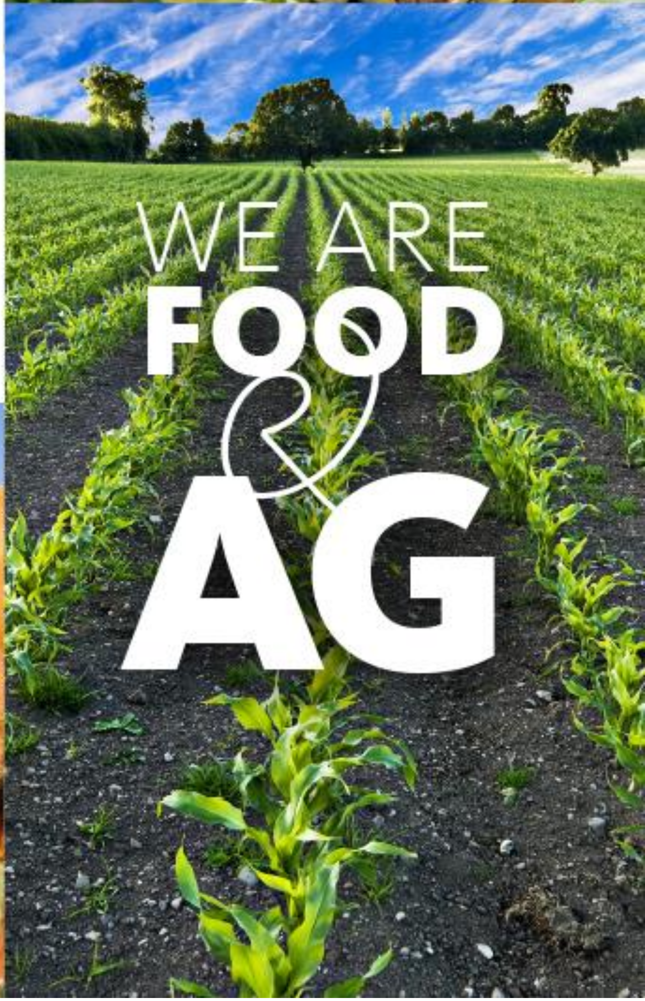

Tax Implications and Strategies Following CCS Credit Sales

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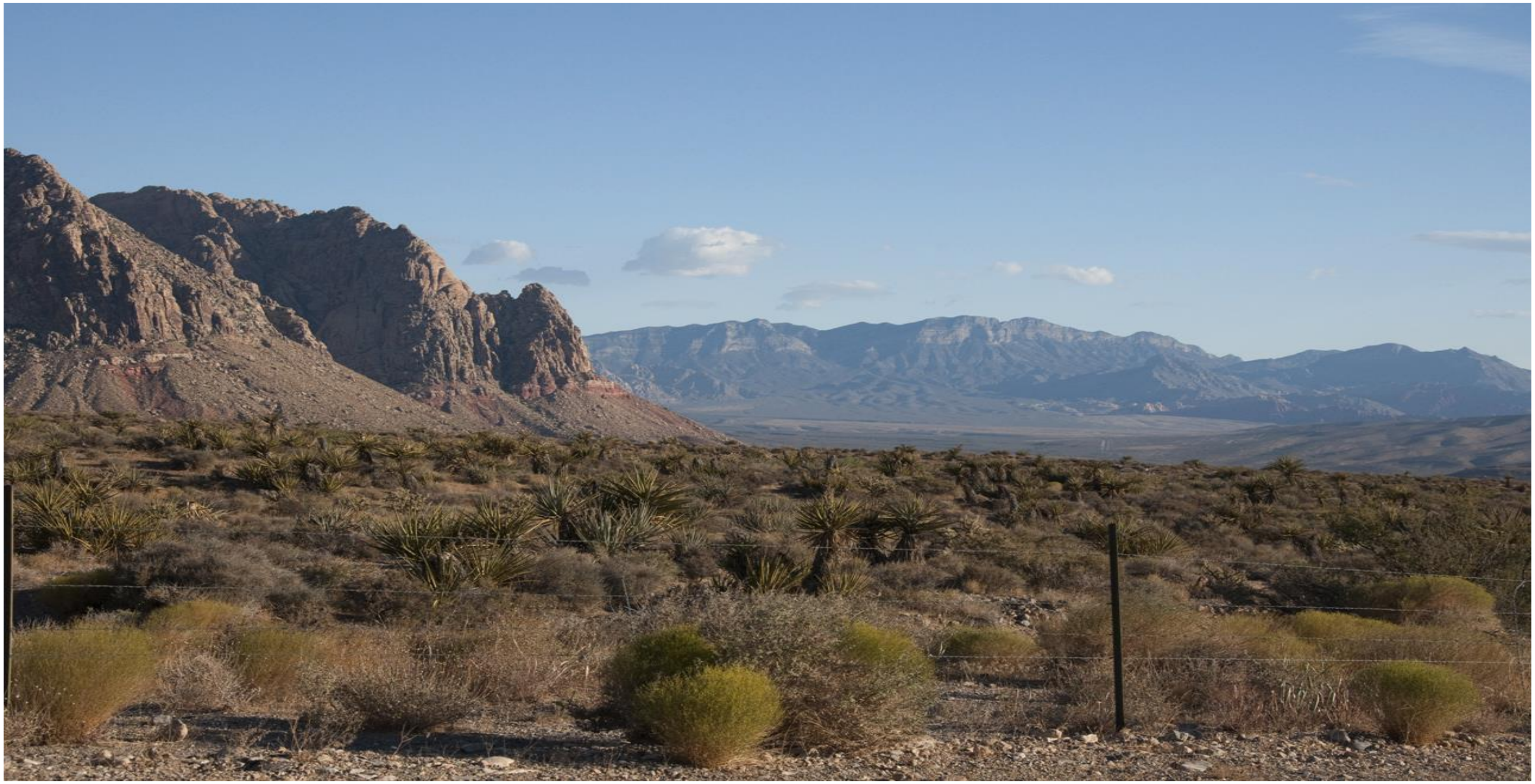
Tax Implications of Credit Sales



Tax Implications of Credit Sales

- Restrictive Covenant is an asset
  - ➢ Sale of an asset is a taxable event to landowner
  - ➢ Reduce with basis
- Considerations
  - ➢ Long Term Capital Gains vs. Ordinary Income
- Must make sense economically

Tax Implications of Credit Sales

Development and Sale of Less Than 100 Credits

- Potential for Long Term Capital Gains
  - Not considered a dealer of credits
  - Must own land for more than 1 year

Tax Implications of Credit Sales

Development and Sale of More Than 100 Credits

- Risk of Ordinary Income
  - Considered a dealer of credits
  - Taxed at ordinary income tax rate

Strategies

How to Lessen the Tax Implications?

- Develop and sell less than 100 credits to decrease the risk the sales are classified as ordinary income.
- Structure the credit sales as an installment sale to spread out the tax burden over a longer period of time.
- Use existing basis in the land to offset part of the sales proceeds of the credits.
- Engage in additional tax planning prior to and after the sale of credits.

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