

**TREATMENT OF CLOSING COSTS  
AND  
HOW TO GET FROM THE ESCROW STATEMENTS  
TO  
FEDERAL FORM 8824 LIKE - KIND EXCHANGES**

by C. Anthony Phillips, CPA

Presented at the  
Second Annual Conference  
and  
General Membership Meeting  
of the  
Federation of Exchange Accommodators

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Las Vegas, Nevada

C. Anthony Phillips is a partner in the certified public accounting firm of Phillips & Company and is president of Downstream Exchange Company, an accommodator of tax deferred exchanges. He received his Bachelor of Science degree from Drexel University in Philadelphia, and also holds two masters degrees from the University of Southern California and the other in Business Administration in Finance and one in Business Taxation.

He has been a CPA since 1965. For the past 15 years he has taught real estate tax classes at various city colleges, and since becoming an approved instructor by the Department of Real Estate, has given several seminars on tax deferred exchanges and the use of an accommodator. He also has been named to the California Association of Realtors State Faculty as a master instructor.

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ESCROW STATEMENT OF:

Escrow:  
Escrow Officer:  
Closing Date: 12/13/95

*Relinquished*

Property Address:

	DEBITS	CREDITS
TOTAL CONSIDERATION		200,000.00 (A)
<u>PRORATIONS/ADJUSTMENTS:</u>	FROM	TO:
Taxes for 6 Months @ \$ 558.41	12/13/95	01/01/96 <i>SCHED E EXPENSE</i> 55.84
<u>TITLE CHARGES:</u>		
Owners Title Policy for \$200,000.00		700.00
County Documentary Transfer Tax		220.00
Reconveyance Fee		65.00
<u>RECORDING CHARGES:</u>		
Reconveyance(s)		20.00
Recon Tracking Fee		10.00
<u>ESCROW CHARGES:</u>		
Escrow Fee		450.00
Demand Fee		100.00
PROCESSING FEE		50.00
<u>COMMISSION:</u>		
COLDWELL BANKER		5,000.00
CALGATE REALTY		6,000.00
<u>LENDER CHARGES:</u>		
<u>LOAN PAYOFFS:</u>		
Principal Due to: CALIFORNIA FEDERAL		19,716.84 (A)
Interest	<i>SCHED E EXPENSE</i> 11/20/95	12/14/95 133.50
FORWARDING FEE		60.00
RECORDING FEE		7.00
FED. EXPRESS		25.00
<u>ADDITIONAL DISBURSEMENTS:</u>		
Termite Report/Work to: BOTTOM LINE TERMITE CONTROL IN		2,000.00
Home Protection Plan to: FIRST AMERICAN HOME BUYERS PRO		450.00
<u>ADDITIONAL SETTLEMENT CHARGES AS FOLLOWS:</u>		
Messenger Services		20.00
DOWNSTREAM EXCHANGE COMPANY		500.00
BALANCE DUE YOU (CHECK ENCLOSED)		163,528.50
TOTALS	200,055.84	200,055.84

*EXCHANGE EXPENSES*

*EXCHANGE EXPENSES*

PLEASE RETAIN THIS STATEMENT FOR TAX PURPOSES.

*EXCHANGE EXPENSES \$ 16,677 (C)*  
*SCHEDULE E EXPENSES \$ 78*  
*2*

**BUYERS CLOSING STATEMENT  
FINAL**

Buyer:

*Replacement*

Escrow No:

Close Date: 01/12/1996

Proration Date: 01/12/1996

Date Prepared: 01/12/1996

Property:

Description	Debit	Credit
<b>TOTAL CONSIDERATION:</b>		
Total Consideration	235,000.00	
Deposit/Earnest Money		5,000.00
New First Loan from Countrywide Funding Corporation		77,500.00 (E)
<b>NEW LOAN CHARGES:</b>		
Loan Discount at 2% to Countrywide Funding Corporation	1,550.00	
Appraisal Fee to Southland Appraisal Service	375.00	
Credit Report to Countrywide Funding Corporation	15.00	
Tax Service to Countrywide Funding Corporation	57.00	
Processing Fee to Countrywide Funding Corporation	390.00	
Flood Cert. Fee to Countrywide Funding Corporation	25.00	
Warehousing Fee to Countrywide Funding Corporation	120.00	
Prepaid Interest to Countrywide Funding Corporation @ \$15.92 per day From 01/11/96 To 02/01/96	334.32	
<b>ESCROW CHARGES</b>		
Escrow Fee to	680.00	
Document Preparation to	100.00	
Loan Tie-In to	150.00	
<b>RECORDING FEES:</b>		
Recording Fees to Los Angeles County Recorder	76.00	
<b>ADDITIONAL CHARGES:</b>		
Fire Insurance Premium to Countrywide Funding Corporation	1,278.00	
Refund of Buyer's Funds to Downstream Exchange	458.54	
Overnight Mail/Fed. Express to	25.00	
Overnight Courier to	25.00	
<b>PRORATIONS AND ADJUSTMENTS:</b>		
County Taxes From 01/01/96 To 01/12/96 Based on the Annual amount of \$1,746.47		53.36
Deposit/Downstream Exchange		158,520.50
<b>TITLE CHARGES:</b>		
Title Insurance to Chicago Title Company	300.00	
Sub-Escrow Fee to Chicago Title Company	75.00	
Endorsements to Chicago Title Company	40.00	
<b>Sub Totals</b>	241,073.86	241,073.86
<b>Totals</b>		

*LOAN COSTS AMORTIZED OVER 30 YEARS \$2539-  
PURCHASE PRICE \$235,000- + ACQUISITION COSTS \$1930- = \$236,930-(D)  
SCHEDULE E EXPENSES \$1559-*

THIS STATEMENT SHOULD BE RETAINED FOR INCOME TAX PURPOSES.

REAL ESTATE EXCHANGE

C. Anthony Phillips  
123-45-6789

BALANCING THE EQUITIES

RELINGUIISHED PROPERTY

FAIR MARKET VALUE OF PROPERTY	(A) 200,000
LESS MORTGAGE	(B) 19,717 (18)
BALANCE	180,283
TOTAL	180,283

REPLACEMENT PROPERTY

FAIR MARKET VALUE OF PROPERTY	(D) 236,930 (16)
LESS MORTGAGE	(E) 77,500 (18)
BALANCE	159,430
CASH PAID	20,853 (15)
TOTAL	180,283

REALIZED GAIN

FAIR MARKET VALUE OF PROPERTY GIVEN	200,000
ADJUSTED BASIS (assumed)	50,000 (18)
EXCHANGE EXPENSES	(C) 16,677 (15)
REALIZED GAIN	133,323

RECOGNIZED GAIN

MORTGAGE ASSUMED ON OLD PROPERTY	19,717
MORTGAGE ASSUMED ON NEW PROPERTY	77,500
CASH RECEIVED	20,853
TOTAL	20,853
EXCHANGE EXPENSES	16,677
NET CASH & BOOT	4,176
RECOGNIZED GAIN	4,176 (20)

Sch E Expenses - Relinquished Property 78  
 Loan Costs 2,539  
 Sch E Expenses - Replacement Property 1,559  
4,176  
 Total

BASIS OF NEW PROPERTY

BASIS OF OLD PROPERTY	50,000
RECOGNIZED GAIN	4,176
MORTGAGE ASSUMED	77,500
EXCHANGE EXPENSES	16,677
TOTAL ADDITIONS	148,353
CASH RECEIVED	20,853
MORTGAGE GIVEN UP	19,717
TOTAL DEDUCTIONS	40,570
NEW PROPERTY BASIS	107,783 (25)

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ALTERNATE METHOD

FAIR MARKET VALUE OF PROPERTY RECEIVED	236,930
RECOGNIZED GAIN	4,176
TOTAL	0
LESS REALIZED GAIN	133,323
NEW PROPERTY BASIS	107,783 (25)

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**Like - Kind Exchanges**  
 (and nonrecognition of gain from conflict-of-interest sales)  
 ▶ See separate instructions. ▶ Attach to your tax return.  
 ▶ Use a separate form for each like-kind exchange.

Department of the Treasury  
Internal Revenue Service

Name(s) shown on tax return

**C. Anthony Phillips**

Identifying number

**123-45-6789**

**Part I Information on the Like-Kind Exchange**

Note: If the property described on line 1 or line 2 is real property located outside the United States, indicate the country.

- 1 Description of like-kind property given up ▶ Residential Rental
- 2 Description of like-kind property received ▶ Residential Rental
- |   |   |          |
|---|---|----------|
| 3 | Date like-kind property given up was originally acquired (month, day, year)                   | 01/01/85 |
| 4 | Date you actually transferred your property to other party (month, day, year)                 | 12/13/95 |
| 5 | Date the like-kind property you received was identified (month, day, year). See instructions. | 12/30/95 |
| 6 | Date you actually received the like-kind property from other party (month, day, year).        | 01/12/96 |
- 7 Was the exchange made with a related party? If "Yes," complete Part II. If "No," go to Part III. See instructions.  
 a  Yes, in this tax year    b  Yes, in a prior tax year    c  No.

**Part II Related Party Exchange Information**

- 8 Name of related party \_\_\_\_\_ Related party's identifying number \_\_\_\_\_
- Address (no., street, and apt., room, or suite no.) \_\_\_\_\_
- City or town, state and ZIP code \_\_\_\_\_ Relationship to you \_\_\_\_\_
- 9 During this tax year (and before the date that is 2 years after the last transfer of property that was part of the exchange), did the related party sell or dispose of the like-kind property received from you in the exchange? . . . . .  Yes  No
- 10 During this tax year (and before the date that is 2 years after the last transfer of property that was part of the exchange), did you sell or dispose of the like-kind property you received? . . . . .  Yes  No
- If both lines 9 and 10 are "No" and this is the year of exchange, go to Part III. If either line 9 or line 10 is "Yes," the deferred gain or (loss) from line 24 must be reported on your return this tax year, unless one of the exceptions on line 11 applies. See **Related Party Exchanges** in the instructions.
- 11 If one of the exceptions below applies to the disposition, check the applicable box:  
 a  The disposition was after the death of either of the related parties.  
 b  The disposition was an involuntary conversion, and the threat of conversion occurred after the exchange.  
 c  You can establish to the satisfaction of the IRS that neither the exchange nor the disposition had tax avoidance as its principal purpose.  
 If this box is checked, attach an explanation. See instructions.

**Part III Realized Gain or (Loss), Recognized Gain, and Basis of Like-Kind Property Received**

**Caution:** If you transferred and received (a) more than one group of like-kind properties, or (b) cash or other (not like-kind) property, see instructions under **Multi-Asset Exchanges**.

**Note:** Complete lines 12 through 14 ONLY if you gave up property that was not like-kind. Otherwise, go to line 15.

12	Fair market value (FMV) of other property given up	
13	Adjusted basis of other property given up	
14	Gain or (loss) recognized on other property given up. Subtract line 13 from line 12. Report the gain or (loss) in the same manner as if the exchange had been a sale	0.00
15	Cash received, FMV of other property received, plus net liabilities assumed by other party, reduced (but not below zero) by any exchange expenses you incurred. See instructions.. <i>20853 - 16,677</i>	4176.00
16	FMV of like-kind property you received. <i>235,000 + 1,930</i>	236930.00
17	Add lines 15 and 16.	241106.00
18	Adjusted basis of like-kind property you gave up, net amounts paid to other party, plus any exchange expenses not used on line 15. See instructions. <i>50,000 + 77,500 - 19,717</i>	107783.00
19	<b>Realized gain or (loss).</b> Subtract line 18 from line 17.	133323.00
20	Enter the smaller of line 15 or line 19, but not less than zero.	4176.00
21	Ordinary income under recapture rules. Enter here and on Form 4797, line 17. See instructions	
22	Subtract line 21 from line 20. If zero or less, enter -0-. If more than zero, enter here and on Schedule D or Form 4797, unless the installment method applies. See instructions	4176.00
23	<b>Recognized gain.</b> Add lines 21 and 22.	4176.00
24	Deferred gain or (loss). Subtract line 23 from line 19. If a related party exchange, see instructions	129147.00
25	<b>Basis of like-kind property received.</b> Subtract line 15 from the sum of lines 18 and 23	107783.00