

## September 2004 GAD Report-CARW

### House Expected to Vote No to Banks in Real Estate for 2005

The House Transportation, Treasury and Independent Agencies Subcommittee again this year included a provision in its appropriations bill to prohibit funding for the U.S. Treasury Department to finalize the proposed banks in real estate rule. This is the third year that such a prohibition has been included in this bill. The full Appropriations Committee is expected to consider the bill this week, and the measure may come to the House floor for a vote before Congress leaves for summer recess at the end of the week. For more info, CONTACT: Edward Miller, emiller@realtors.org, 202/383-1171.

**IRS Ruling on 1031**: Real estate executives are busy interpreting the impact of a Treasury Department and Internal Revenue ruling yesterday on 1031 tenant-in-common structures. According to Revenue Ruling 2004-86, investors in multi-owner Delaware statutory trusts formed to own real estate can defer capital gains taxes on an exchange if the exchange is in a property interest or an interest in a trust, as defined by the IRS. If the trust does not meet the IRS specifications, it is considered a partnership or corporation--not real estate--and not eligible for tax deferral. Treasury officials had previously indicated that Delaware statutory trusts may be partnerships and may not be able to offer their investors tax deferral on exchanges. Typically, each tenant-in-common investor sets up a single-member limited liability company. Using the Delaware statutory trust structure, however, would save both time and money. The Investment Exchange Program Association filed a white paper with the IRS in December of 2002 explaining why Delaware statutory trusts should be eligible for tax deferral.

**Shopping Center Forecast News**: Neighborhood and community shopping centers continue to outperform all other commercial real estate sectors, according to the recent "Red -Yellow - Green Update" from Moody's Investors Service. The update measures market performance by colors: green indicates a strong market, yellow indicates a stable market and red indicates a poor market. The retail sector had the highest number of green markets -- 39 markets.

**Group Health Insurance for Real Estate Offices**: WRA is working with REGIT Insurance in setting up group health insurance for real estate offices with both 1099 and W-2 employees.

Requirements for Participation: 1). Contribution Requirements: the percentage that a broker must contribute will depend on whether or not a broker receives commission or not. Therefore, a REGIT representative will help a company determine how the employer contribution offset may be applied in your office.

2). Participation Requirement: 50% of eligible full time employees must participate. A REGIT representative can help a

company create subgroups within the company which may make it easier to meet participation levels.

### **What does the USA Patriot Act mean for the Real Estate Industry?**

Real estate professionals, because of the highly interactive nature of the business, may want to consider periodically checking the SDN list to ensure they are not dealing with restricted entities.

This is particularly relevant for:

- Real estate professionals who lease commercial space.
- Real estate professionals who operate multi-housing units.

*As noted above, the credit reporting industry is subject to specific rules and regulations under this executive order. Generally, during the course of a financial transaction, a credit report will flag a potential SDN match. It is then incumbent upon the business or entity requesting the information to verify that match's identity.*

Treasury will not issue rules pursuant to the Patriot Act that will affect real estate brokers.

Rules affecting persons involved in real estate settlements and closings will be forthcoming. Real estate professionals should be mindful of IRS form 8300 which requires that cash transactions in excess of \$10,000 be reported. Financial institutions, may ask a broker's client for more personal information for CIP purposes. There are no industry specific regulations governing real estate pursuant to this executive order. However, real estate professionals, like all other businesses, must take necessary steps to ensure they are not dealing with SDN entities.

### **REMEMBER TO VOTE IN YOUR LOCAL PRIMARIES!!!!!!**

#### **Top Primaries in Southeastern Wisconsin:**

**Assembly District #12** (northwest side of Milwaukee and parts of the City of Wauwatosa): After 20 years in the State Assembly, Shirley Krug (D-Milwaukee) is not seeking re-election. Krug planned on running in the 4<sup>th</sup> Congressional District but decided to drop out of the race a few weeks ago.

**Rene Settle-Robinson (D-Milwaukee)**: Settle-Robinson is a podiatric surgeon with Aurora Medical Group who is making her first run for public office.

**Fred Kessler (D-Milwaukee)**: Kessler wants to return to the Assembly where he served for 10 years in the 60's and 70's where afterwards he served as a circuit court judge for 12 years. Since then, Kessler has served as a mediator, reserve judge and political consultant.

**Assembly District #38** (parts of Waukesha County; Oconomowoc, Watertown and Ixonia): Rep. Steven Foti is not seeking re-election.

Joel Kleefisch (R-Oconomowoc): For nearly 10 years Kleefisch worked as a investigative reporter for Channel 12. Joel is also a small business owner and founder of Lakewatch, a volunteer inland lake organization. He is also a volunteer for and member of several civic organizations including: Branch Chairman For the local Republican Party, The Watertown Elks Club, and The Boy Scouts of America.

Ron Counsell (R-Juneau): Counsell owns and runs Borderline BP Convenience Store and serves on the Petroleum Marketers of Wisconsin/Wisconsin Association of Convenience Stores.

Kenneth Berg (R-Watertown): Berg is the owner of Ken Berg Real Estate. Ken served on the Watertown City Council from 1995 to 2001 and member of the Watertown Board of Education from 1982 to 1994.

**Senate District #4** (includes northern Milwaukee County). Incumbant Gwen Moore is running for the 4<sup>th</sup> Congressional District.

Johnnie Morris-Tatum (D-Milwaukee): represented the 11<sup>th</sup> Assembly district since 1992 and former mortgage company manager

Lena Taylor (D-Milwaukee): previously an attorney and public defender. Won a special election to the State Assembly in 2003.

James White (D-Milwaukee): currently is a Milwaukee County Supervisor and chairman and founder of the Encompass Project.

**Senate District #20** (includes Washington and Ozaukee counties, parts of Dodge, Sheboygan and Fond du Lac counties). Incumbant Mary Panzer (R-West Bend) is being challenged by State Representative Glenn Grothman.

Mary Panzer (R-West Bend): Panzer was first elected to the State Assembly in 1980. In 1993 she was elected to the State Senate and is currently the Senate Majority Leader.

Glenn Grothman (R-West Bend): Grothman was first elected to the State Assembly in 1993. Previously Glenn was a practicing attorney.

**US Senate**: Russ Feingold is seeking re-election to the US Senate seat where he first won in 1982.

Tim Michels (R-Oconomowoc): is co-owner of Michel's Corp in Racine. Michels is a former trader at the Chicago Board of Trade.

Russ Darrow (R-West Bend): has been a car dealership owner for 25 years.

Bob Welch (R-Redgranite): has represented the 14<sup>th</sup> Senate District since 1995. Prior to that he was a small business owner.

Robert Lorge (R-Bear Creek): previously served in the State Assembly for 10 years.

### **US House of Representatives:**

1<sup>st</sup> District: Incumbant Paul Ryan is seeking his 4<sup>th</sup> 2 year term re-election.

Jeffrey Thomas (D-Janesville): has run for this seat 6 times.

Chet Bell (D-Mukwonago): is a faculty member at Marquette University.

4<sup>th</sup> District: Jerry Kleckza is not seeking re-election.

Corey Hoze (R-Milwaukee): Midwest Regional Director for the U.S. Department of Health and Human Services (HHS), prior to joining HHS, Corey managed corporate affairs at Miller Brewing Co. in Milwaukee, WI, responsible for developing and implementing national media strategies to augment Miller's alcohol responsibility initiatives, particularly in the African-American community.

Gerald Boyle (R-Milwaukee): Boyle, currently a Captain in the U.S. Marines Corps Reserves and recently selected to the rank of Major, has returned from serving a tour in Iraq with the 1<sup>st</sup> Marine Expeditionary Force. Boyle is also an attorney with the local firm of Boyle, Boyle & Boyle.

Matt Flynn (D-Milwaukee): an attorney from Milwaukee

Tim Carpenter (D-Milwaukee): served for six years in the State Assembly representing south Milwaukee county. Carpenter then got elected to the State Senate in 2002 where he currently serves.

Gwen Moore (D-Milwaukee): Moore won two consecutive terms to the Wisconsin State Assembly (1989-92) and then in 1992 was elected to the Wisconsin State Senate, becoming the first African-American woman to hold this office. Moore is currently serving her third term in the Senate.

5<sup>th</sup> District: James Sensenbrenner is seeking his 13<sup>th</sup> 2 year term

Gary Kohlenberg (D-Oconomowoc): Gary has been Mayor of Oconomowoc since 2002 and is managing member of Kohlenberg LLC.

Bryan Kennedy (D-Glendale): Kennedy is currently a faculty member at UW-Milwaukee.

**Common Council Proceedings now available on the Internet:** The general public can now be streamed live over the internet. Common Council meetings are also archived on-line, so you can view Council proceedings any time anywhere where internet services are available. Currently only meetings since April 20, 2004 are available for viewing. Simply visit [www.milwaukee.gov](http://www.milwaukee.gov) on the internet and look under the City Clerk's Office.

**Park East Still Going:** The County Board of Supervisors now takes up the issue of the Park East. Chairman Lee Holloway has created an advisory committee to review and make recommendations relating to the county owned lands within the former Park East freeway. This committee is comprised with Supervisors Mayo (Chair), Coggs-Jones (Vice Chair), Johnson, Broderick and Rice. The committee met on August 17<sup>th</sup> for informational purposes only and will meet again on September 1<sup>st</sup> at 10:00 a.m. in room 203-R in the Courthouse. Some possible items for the Sept. 1<sup>st</sup> meeting are setting up a 501C3 where the land in the park east would be leased rather than sold. How the State and Federal entities will need to sign off on what is done in the park east, since State and Federal dollars were involved in building the Park East freeway. A portion of the Park East, west of 6<sup>th</sup> street to Hwy 43 will be held up and used as a staging area during the reconstruction of the Marquette interchange.