"Perfectly okay," said the Tax Court. The mortgage specifically exempted that 19-acre tract, so "there was a transfer and payment for *two separate properties.*" For Developer to get work started in an orderly manner, those 19 acres had to be free of the mortgage. The sale was okay.

*Winning Arguments*

Here are some other points you can use to persuade owners it's worth their while to sell property on the installment basis:

(1) Owner can get the top price for his land when he's willing to sell on credit. (Cash buyers drive harder bargains because they're putting up the complete price at once.)

(2) Owner can draw interest on the unpaid balance of the purchase price, as well as turn unproductive—but taxable—land into profits.

(3) Owner retains title, under an installment-sales contract, until he's paid in full; so he needn't worry about losing his land. *Warning:* Put a clause in the installment contract for the release of individual lots as you need them (with stated payments to the owner).

> *Big persuader.*—This "split personality" concept will let you get the land you want on your terms. Use it and you'll find you may be able to get the land you're after—even if the owner is reluctant to sell—once you show him the tax break he can get. Of course, advise him to check with his tax man to bear you out. Remember, too, that not all owners want more than 30% in cash; you'll often be able to buy with a downpayment below the 30% ceiling.

HOW TO USE REPAIRS TO TURN ORDINARY INCOME INTO CAPITAL GAINS

Repairs to income-producing property qualify as currently deductible expenses. But the cost of improvements must be added to the capital cost of the property and is recoverable usually through depreciation deductions spread over the life of the property. However, apart from these general principals as to deductibility, the repairs deduction can sometimes be used to convert ordinary income into capital gain.

> *Example.*—Assume that you own rental real estate worth $60,000, with a basis to you of $20,000. You want to sell out. As it stands, the property will bring its $60,000, leaving you with a $40,000 gain.

However, some repairs are needed, and you think that by spending about $5,000 for repairs, you can sell the building for at least $65,000. The $5,000 spent for repairs will be a ordinary deduction, deductible in full from your other income.

The $5,000 added gain on the subsequent sale will be added capital gain under the tax law, only one-half of which is taxable. Thus, if your taxable income is $24,000, this transaction would save you $900 in net tax saving. In effect, you have converted $5,000 of ordinary income into capital gain.

MAKE PROFITS MULTIPLY WITH MULTIPLE DWELLINGS

You've probably heard this statement very often from tenants: "I've lived here for years and the landlord hasn't spent a cent on the place!" It's an old and often inaccurate gripe. But this familiar cry of woe started Robert W. Kent, of Brookline (Mass.) on his million-dollar career as real estate investor and consultant.

*Immovable tenants.*—Kent first heard the complaint while visiting a relative with the unlikely name of Aunt Toby. She uttered it every chance she got, but she remained in her $30-a-month flat for 38 years despite the wretched service. Some fast figuring revealed to the astonished Kent that his disgruntled (but immovable) aunt had spent $13,680 on space in a building that originally cost $8,000. And she was only one of six tenants!

Naturally, when he had the funds available, Kent began to invest them in the kind of multiple dwelling he came to call "Aunt Toby." The term refers to a class of rental, not a type of building. The property may have been built anywhere from 30 to 90 years ago.

*The average "Toby" tenants.*—Middleclass workingmen and their families find that these multiple units suit them best. The necessary expenses of the children's education or a new car put off their building a home of their own. "Aunt Toby" fills the bill.