

## GO Zone, Fact Or Fiction?

By Dr. Chris Anderson, Ph.D.

*So let me get this straight..... I can buy a house in this so called "GO Zone" for \$150,000 and the IRS will let me write off almost 50% of that from my taxes in the first year?*

*Suppose that the land is worth \$30,000 and the structure is \$120,000, you are saying that I could take a \$60,000 deduction from my taxes? "Yeah right"*

*And do you still wait up for the Tooth Fairy as well? Next you're going to propose I set up my businesses in an offshore tax shelter, right?*

### Too Good To Be True?

The above discussion is the typical reaction of someone that just learns about the GO Zone for the first time. In reality, being able to write off \$60K, \$120K, or \$1.2M just seems a bit far fetched. It must be because the IRS was feeling nice that year.



While this seems like something the Government would never do, let's look at this in a completely different way.

As the many, many photos and nightly broadcasts of the widespread devastation have shown us from the region, there was a tremendous amount of damage from Katrina. As a result, the U.S. Government was under considerable pressure to help. But the cost was staggering and clearly, the U.S was in no position to write blank checks to cover the large losses.

To make matters worse, many of the areas and individuals hit were not high income, were not well insured, and were already reeling from other storms. For the U.S. Government, recovery from this devastation was just a gigantic black eye waiting to happen.

### Clever Like A Fox

Many people that I have talked to about the GO Zone, including their CPA's, say there is no way the IRS or Government would institute such a program. Well, let's do a little math and then see what you think.

Suppose the Government had to start footing the bill for replacement properties. Going back to the \$150K example above, let's suppose that the Government could actually build that house for \$150K (you remember the hundred dollar screw drivers from years ago right?). So, in that case, the Government would shell out the entire \$150,000.

Now, suppose instead, they give an investor the ability to write off the \$60,000 discussed above. For purposes of example, suppose that this investor was in the 30% tax bracket. In real tax dollars, this incentive has cost the Government  $\$60,000 * 30\% = \$18,000$ . If you were the Government, what would you rather pay? \$150,000 or \$18,000? Like the Government has done many times in history, it concluded that it makes more sense to motivate private investors to rebuild the GO Zone rather than rebuild it itself.

### I Bet You Didn't Know This Started With 9-11-01

When you look at the discussion above, then you think that "the Government was really smart to offer GO Zone benefits." But in reality, tax incentives have been used throughout history to accomplish certain objectives.



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What is not well known however is that the GO Zone legislation was modeled after the tax incentives put into place after 9-11. The region of Manhattan impacted the most was labeled as the "Liberty Zone" and a number of tax incentives, including accelerated (bonus) depreciation was allowed. The article in the below link addresses some of those benefits.

<http://www.allbusiness.com/legal/laws-government-regulations/233762-1.html>

Obviously, lawmakers felt this model worked in the Liberty Zone so they transferred that idea to the GO Zone in 2005.

### What About Resources To Look Up

Hopefully from the discussion above, you can at least start to realize that the GO Zone is real and actually makes sense for you and the Government. Of course, if you are

like most savvy people, then you would like a few things:

1) real proof and 2) a blessing from your tax advisor. In this section, we list a few relevant on-line publications that you can explore.

- [Publication 4492 \(1/2006\), Information for Taxpayers Affected by Hurricanes Katrina, Rita, ...](#)
- [List of Counties & Dates For Bonus Depreciation](#)
- [IRS Press Release](#)

In reality, any search of "GO Zone" will turn up tons of articles, documents, IRS publications, etc. This is not some secret "offshore tax scam".

### What You Should Know About Your Tax Advisor

We have dealt with many investors from all around the country and there is one common theme that we at GoZoneOnLine.com consistently hear:

*My tax advisor does not understand GO Zone and thinks it probably won't work.*

Previously, when I would hear that comment from a client, it really used to bother me. However, then I realized that the typical tax advisor, with hundreds of clients, is lucky if they have ONE CLIENT interested in the GO Zone. In reality, like many other specialized tax strategies, it is just not feasible for most tax advisors to know everything.



Around our company, we like to think of the typical tax advisor as the equivalent of a general MD in the medical field. Using this analogy, it is realistic that this advisor will know many of your personal situations and history but would be poorly equipped to perform the intricacies of orthopedic surgery as an example. Likewise, for your tax advisor, we think you will find that while they may be familiar with your specific situation, it is doubtful they will have a working knowledge of the GO Zone and its requirements.

It is for this reason that we started working with outside tax professionals, licensed in all 50 states, who could look very quickly at a person and really help them sort out where they stand in the GO Zone.

### **This Is Not For Everybody But Yet, Many Can Participate**

Since GO Zone is such a popular topic around real estate investment circles, there are many people selling properties out on “the circuit” that don’t always understand, or explain, the real and complete story.

When the Government implemented the GO Zone tax law, they had to implement it quickly within the confines of the existing, tax code. While this unfortunately leads to a lot of confusion, it is just one of the realities that we have to deal with.

In particular, the standard rules for passive deductions got used in the GO Zone legislation. Without getting too technical here, what this means is that not everyone can take advantage of all the bonus depreciation.

If you want to get a good understanding, then read our report [Do You Qualify For GO Zone Bonus Depreciation](#) available at [GoZoneOnLine.com](http://GoZoneOnLine.com)

### **How To Get Started In The GO Zone**

After this document, hopefully you now believe that GO Zone benefits are real and not some offshore tax fantasy. I believe that as you explore the GO Zone incentives, you will conclude that the GO Zone offers a once in a lifetime benefit for some investors.

Based upon our working with many, many GO Zone investors, there seems to be a common path that people go through in the process of investing in the GO Zone. This path is simplified below:

#### **Steps:**

1. Believe that the GO Zone is real (you have already crossed that one off)
2. Determine if they [Qualify For GO Zone Bonus Depreciation](#);
3. Try and find a GO Zone location that makes sense for them;
4. Locate a GO Zone qualified property;
5. Try and find a property manager to put into rental service;

## Your One Stop Site For Bonus Depreciation



At GoZoneOnline.com, in addition to providing GO Zone education, on-going newsletters and alerts, we also work directly with GO Zone investors. We have created very unique relationships with a developer in the GO Zone market as well as created an alliance of property managers to produce outstanding GO Zone opportunities.

Feel free to email me to explore this more at [chris@gozoneonline.com](mailto:chris@gozoneonline.com)

### About The Author:

As a native of Florida for most his life, and as a current resident of the Gulf Coast, Dr. Anderson is an advocate of the Government sponsored redevelopment of the hurricane impacted areas. As an investor and a business owner for most of his adult life, he understands the unique challenges and opportunities for individual investors.

CHRIS ANDERSON, Ph.D.



In addition to investing, Dr. Anderson was very active in both the engineering and academic communities. He received his Ph.D. in Electrical Engineering from North Carolina State University in 1990. After being an educator on the graduate electrical engineering faculty at the University of Florida for over 10 years, he decided to concentrate solely on his rapidly developing business and investing portfolio. He and a long-time business partner formed [GetPreConstructionDeals.com](http://GetPreConstructionDeals.com) to bring world class investing education, tools, and opportunities to the general public.

Today, Dr. Anderson contributes a 100% of his efforts to the growth and development of the on-line communities of [GoZoneOnline.com](http://GoZoneOnline.com) and [GetPreConstructionDeals.com](http://GetPreConstructionDeals.com). He is a frequent speaker, educator, and author of articles that are featured on 1,000's of web sites across the internet.

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