2015

Iowa Market Maker - linking agricultural markets

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to purchase like-kind replacement properties from a related corporation. The taxpayer failed to demonstrate that tax avoidance was not one of the principal purposes of the exchanges. The court concluded that the use of the qualified intermediary was interposed to avoid the related party rule.

In a 2004 private letter ruling, IRS distinguished Rev. Rul. 2002-83 in holding that there was no “cashing out” of a property interest and no sale was contemplated within the two year period even though one property ended up being acquired by a buyer. As the ruling notes- “Upon completion of the series of transactions, both related parties will own property that is like-kind to the property they exchanged. Moreover, neither party will have ever been in receipt of cash or other non-like kind property (other than boot received in the exchange) in return for the relinquished property.”

The ruling notes that neither party was in receipt of boot (or any other non-like kind property) in return for the relinquished property other than boot received in the exchange.

This ruling provides one template for planning a transaction to avoid the trap of Rev. Rul. 2002-83. The critical feature of the letter ruling is that there was no “cashing out” of their investment by one of the related parties.

**In conclusion**

It is abundantly clear that “cashing out” by one of the parties in a related party exchange (even with an unrelated qualified intermediary) falls within the related party rules. Unfortunately, that is not unusual with related party exchanges.

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MarketMaker is an interactive mapping system that finds producers and markets for agricultural products. MarketMaker is a resource for all businesses in the food supply chain. The site can help a grocery store find farm-fresh eggs or a farmer find a place to sell them.

**How Do I Use Market Maker?**

The MarketMaker web site contains demographic and business data that the user can query. Details can be summarized on a map to show concentrations or consumer markets and strategic business partners. Providing this kind of information in a map-based format makes much more sense than business lists and statistical tables.

**What data can I expect?**

For example, a user can request lists of federally inspected packing plants along with a map that identified their locations. If you are a grocery store manager looking for the lowest producer of organic vegetables, you can query the web site to find names and contact information.

Census data is also a feature of the site. For example, a producer wanting to sell meat to Hispanic consumers can request a map showing the greatest concentration of upper-income Hispanic households, then request a complete demographic of those locations.

Funding for the project was provided by the Leopold Center for Sustainable Agriculture, the Agricultural Marketing Resource Center and Iowa State University Extension Value Added Agriculture Program.

The Value Added Agricultural Program (VAAP) continues the tradition started by Iowa State University Extension over one hundred years ago by providing unbiased, science-based information to help establish or expand agricultural-related businesses in Iowa. Whether it’s a new start-up or an established business wanting to expand, the VAAP works directly with the owners of the business.

Agriculture in Iowa is undergoing a period of transformation, one marked by changing markets, new products, shifting consumer demand and technological developments. These trends create opportunities to differentiate new agricultural products from traditional commodities. Iowa State University Extension’s Value Added Agriculture Program strives to:

- Facilitate development of agricultural-related businesses
- Assist clients in making informed decisions
- Provide leadership and vision for value-added agriculture education and business development

For more information about Market Maker or the ISU Extension Value Added Agriculture Program, contact (515) 294-0588, marketmaker@iastate.edu or http://www.iavaap.org.

The Iowa Market Maker site is: http://ia.marketmaker.uiuc.edu.

Updates, continued from page 1

Internet updates
The following updates have been added to www.extension.iastate.edu/agdm.

In-Store Demonstrations – C5-33 (1 page)
Choosing a Distributor for Your Product – C5-161 (1 page)