

Title:

1031 Tax Exchange ~ Frequently Asked Questions

Word Count:

1472

Summary:

After years of conducting tens of thousands of successful 1031 exchanges, we found that there

Equity and Gain

Is my tax based on my equity or my taxable gain?

Tax is calculated upon the taxable gain. Gain and equity are two separate and distinct items.

Keywords:

1031, tax, exchange, faq, questions, common, frequently, asked, real estate, property

Article Body:

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Equity and Gain

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Deferring All Gain

Is there a simple rule for structuring an exchange where all the taxable gain will be deferred?

Yes, the gain will be totally deferred if you:

- 1) Purchase a replacement property which is equal to or greater in value than the net selling
- 2) Move all equity from one property to the other.

Definition of Like-Kind

What are the rules regarding the exchange of like-kind properties? May I exchange a vacant par

Yes, "like-kind" refers more to the type of investment than to the type of property. Think in

Simultaneous Exchange Pitfalls

Is it possible to complete a simultaneous exchange without an intermediary or an exchange agre

While it may be possible, it may not be wise. With the Safe Harbor addition of qualified inter

Property Conversion

How long must I wait before I can convert an investment property into my personal residence?

A few years ago the Internal Revenue Service proposed a one-year holding period before investm

Remember, intent is very important. It should be your intention at the time of acquisition to

Involuntary Conversion

What if my property was involuntarily converted by a disaster or I was required to sell due to
Involuntary conversion is addressed within Section 1033 of the Internal Revenue Code. If your
Facilitators and Intermediaries

Is there a difference between facilitators?

Most definitely. As in any professional discipline, the capability of facilitators will vary b
Facilitators and Fees

Should fees be a factor in selecting a facilitator?

Yes. However, they should be considered only after first determining each facilitator's abilit
Personal Residence Exchanges

Do the exchange rules differ between investment properties and personal residences? If I sell
The rules for personal residence rollovers were formerly found in Section 1034 of the Internal
Exchanging and Improvements

May I exchange my equity in an investment property and use the proceeds to complete an improve
Although the attempt to move equity from one investment property to another is a key element o
Related Parties

May I exchange into a property that is being sold by a relative?

Yes. However, any exchange between related parties requires a two-year holding period for both
Partnership or Partial Interests

If I am an owner of investment property in conjunction with others, may I exchange only my par
Yes. Partial interests qualify for exchanging within the scope of Section 1031. However, if yo
Another caveat. Those individuals or groups owning partnership interests, who desire to comple

Reverse Exchanges

Are reverse exchanges considered legal?

Although reverse exchanges were deliberately omitted from Section 1031, they can still be acco
The Taxation Section of the American Bar Association has submitted suggested guidelines for th
Identification

Why are the identification rules so time restrictive? Is there any flexibility within them?

The current identification rules represent a compromise which was proposed by the IRS and adop
In a delayed exchange, is there any limit to property value when identifying by using the 200%
Yes. Although you may identify any three properties of any value under the three property rule

An additional exception exists for those whose identification does not qualify under the three
Should identifications be made to the intermediary or to an attorney or escrow or title company
Identifications may be made to any party listed above. However, many times the escrow holder is

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