INVESTORS · PRIMER

Free from Victoria Love

1031 Exchange Primer

The basics of deferring capital gains when you sell an investment property and buy another, and the deadlines you can't miss.

VL

Victoria Love, REALTOR®

HomeSmart · 509-710-2417

01 The key dates

1. **Before you close: hire a qualified intermediary**
   The exchange has to be set up before the sale closes. Proceeds go to the intermediary, never to you.
2. **Day 45: identify replacement property**
   In writing, signed, and delivered to the intermediary by midnight of day 45. Weekends and holidays count.
3. **Day 180: close on the replacement**
   Or your tax return due date for that year, with extensions, if that comes first. The 45 days count inside the 180.

02 How many properties you can name

- **Three-property rule**
  Up to three properties of any value
- **200% rule**
  Any number of properties whose total value is no more than twice what you sold
- **95% rule**
  Any number, if you end up buying at least 95% of the total value you identified

03 The basics

- **Real property only**
  Since 2018, only real property held for investment or business use qualifies; your home and fix-and-flip inventory don't
- **Like-kind is broad**
  A rental house can be exchanged for land, a duplex or a commercial building, if both are held for investment or business
- **Same taxpayer**
  The name that sells should be the name that buys
- **Reinvest it all**
  To defer all the gain, buy equal or greater value and reinvest all net proceeds; cash or debt reduction you keep (“boot”) is taxable
- **Report it**
  The exchange is reported to the IRS on Form 8824 with your tax return

04 Questions for your CPA

- [ ] **Does my property and plan qualify?**
- [ ] **How much gain and depreciation recapture am I deferring?**
- [ ] **Which qualified intermediary do you recommend?**
- [ ] **What happens if I can't close on a replacement in time?**
- [ ] **Are there related-party issues with the buyer or seller?**

Thinking about an exchange?

Victoria can walk you through it. No pressure, no obligation.

Call or text Victoria: 509-710-2417
Book a call: https://loveazrealtor.com/contact
This guide online: https://loveazrealtor.com/guides/1031-primer

Sources

- Internal Revenue Code § 1031 and Treasury Regulation § 1.1031(k)-1 (identification and exchange periods)

- IRS Form 8824 and instructions, Like-Kind Exchanges (irs.gov)

Victoria Love, REALTOR® · HomeSmart · License # SA672324000 · Equal Housing Opportunity. General information only, not legal, tax or lending advice. Programs, rates and rules change; verify with the appropriate professional. 1031 exchanges have strict rules. Always work with a qualified tax advisor and a qualified intermediary before you sell.