

## Like Kind Exchanges

This transaction, also known as a 1031 exchange, allows a taxpayer to trade a business property for another property deferring any tax impact for the sale. The transaction usually starts with a sale of your business property handled by an exchange facilitator (usually affiliated with the title company) who holds the funds to buy the replacement property that you have selected. You may sell multiple properties to put into one property or buy multiple properties with only one sale property. But, as you can imagine, there are many rules associated with these transactions.

The 1031 exchange helps when there are capital gains stored in a property. Recent home value declines have caused the number of 1031 exchange transactions to decline.

Some rules you must follow to have a 1031 exchange qualify for tax deferral:

- The purchase price of the replacement property you select must be equal or greater than the sales price of the property sold.
- All of the proceeds must be reinvested in the new property.
- You must use an accommodator who acts on your behalf, but is a totally independent middleman.
- Prior to closing on the sale a written agreement of intent must be signed with the facilitator.
- Within 45 days after the closing on the property sold identify the potential replacement property.
- Within 180 days after the closing acquire the replacement property.
- The property sold and purchased must be used as an investment property (rental property qualifies).

There are many variations of 1031 exchanges to handle all types of situations including construction and reverse exchanges. Give us a call with questions. (530) 622-5546

Accurate Tax Service serves Placerville, Cameron Park, Pollock Pines, Diamond Springs, Shingle Springs, Georgetown, Folsom, El Dorado Hills, Grizzly Flat, Somerset, and all over the country.