

1031 TAX DEFERRED EXCHANGES

"EVOLVING RULES, GREATER OPPORTUNITIES"



Compliments of

Although the delayed exchange variation remains the most common format, many Exchangers have been exploring more creative §1031 exchange strategies. This overview briefly addresses some of the opportunities investors are utilizing.

CONVERTING A RENTAL TO A RESIDENCE

Investors are combining the tax deferral benefits of an exchange (IRC §1031) with the tax exclusion advantages available under the primary residence tax rules (IRC §121). Exchanging into a replacement property that is initially "held for investment" and at a later time converting this rental property into a primary residence enables a property owner to obtain tax-free funds. Under the primary residence tax rules, anyone living in a property as their primary residence for 24 months out of a 60-month period is eligible to keep \$250,000 tax-free if filing as a single and \$500,000 if filing jointly. This exclusion is available once every two years, giving property owners the ability to unlock equity that has previously remained tied up in their investment property.

VACATION HOME EXCHANGES

Investment real estate located in resort or vacation areas may qualify for an exchange if the owner can establish that their "intent" was to hold the property for investment. Property owners in many resort destinations nationwide are exchanging for more desirable properties.

"TENANT-IN-COMMON" PROGRAMS

There is an increase in popularity of exchanges where there is a purchase of a fractional ownership interest in commercial real estate along with other co-owners.

REVERSE EXCHANGES

The IRS released rules on September 15, 2000 providing a safe harbor for the purchase of a replacement property before selling the relinquished property (a "reverse exchange"). Investors now have guidance to pursue an excellent purchase opportunity before selling the property they currently own.

IMPROVEMENT EXCHANGES

Some investors choose to build a new property from the ground up or buy an existing property which requires improvements or refurbishments. This opportunity to build a brand new property helps an investor acquire a replacement property that meets their long-term investment objectives and exact exchange requirements.

REVERSE/IMPROVEMENT EXCHANGES

Combining a reverse exchange with an improvement exchange creates a perfect opportunity to purchase the new property first -- and begin making improvements to this property before the relinquished property is sold to a buyer.



ASSET PRESERVATION
INCORPORATED

National IRC §1031 "Qualified Intermediary"

National Headquarters

800-282-1031

Eastern Region Office

866-394-1031

apiexchange.com

info@apiexchange.com

Template # 58

Asset Preservation, Inc. does not give tax or legal advice. The information contained herein should not be relied upon as a substitute for tax or legal advice obtained from a competent tax and/or legal advisor.