Defer Capital Gains Tax

Section 1031 of the Internal Revenue Code provides a strategy for deferring capital gains tax in certain situations that may arise when you sell your business or investment property. By exchanging property for like-kind real estate, property owners may defer capital gains tax and instead use the sale proceeds for the purchase of replacement property. Like-kind real estate includes business/investment property, but not property primarily held for personal use, such as the property owner’s primary residence or vacation home. Section 1031 does not apply to the exchange of stocks or bonds or property held primarily for resale.

Before Participating, Consider If You Are Interested In:

- Relieving the burden of active real estate ownership
- Obtaining ownership in real estate such as shopping centers, multifamily, triple-net lease, medical office, student housing, office, self-storage, and industrial property in good locations
- Diversifying your real estate portfolio by geography and property type
- Investing in single asset and/or multiple asset offerings
- Choosing from highly-leveraged, moderately-leveraged or no-leverage offerings (depending on leverage of exchanged property)
- Facilitating estate planning
Guidelines

- Seller should have the contract specify that the sale may be structured as a 1031 exchange
- Seller cannot receive or control the net sale proceeds; the proceeds must be deposited in a qualified escrow
- Replacement property must be like-kind to the relinquished property
- The replacement property must be identified within 45 days from the sale of the original property
- The replacement property must be acquired within 180 days from the sale of the original property
- Generally, the cash invested in the replacement property must be equal to or greater than the cash received from the sale of the relinquished property
- Any debt placed or assumed on the replacement property must be equal to or greater than the debt relieved with regard to the relinquished property

Benefits of Multiple Owner Real Estate

- Access to, and ownership of, quality real estate and financing
- Low minimum investment amounts allow for portfolio diversification
- Professional real estate expertise, including acquisition, financing, property management, and asset management
- Eliminate the burden of hands-on management

The above is only a general summary of Section 1031 exchanges prepared for informational purposes only and it is not intended to serve as legal or tax advice and does not address the particular tax situation of any person. Accordingly, please do not send us confidential information without first contacting us. Past successes cannot be an assurance of future success.

For more information or to schedule a call to discuss your particular situation, contact your Tax Partner.