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## **IRC 1031 Exchanges of foreign real estate - by Bill Lopriore**

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Unfortunately, it is not possible to exchange real estate in the United States for real estate located in another country as part of a 1031 exchange. However, you can exchange foreign real estate for foreign real estate.

According to Internal Revenue Code Section 1031(h)(1), real estate located in the U.S. and real estate located outside of the U.S. are not like kind. In order to trade properties in a 1031 exchange, the relinquished and replacement properties must be like kind; therefore, you cannot trade real estate located outside the U.S. for real estate located in the U.S. For exchange purposes, the U.S. includes all 50 states and the District of Columbia. Treasury regulations and several IRS Private Letter Rulings have expanded this general rule for Guam, the Northern Mariana Islands and the U.S. Virgin Islands. So, what can you trade in a 1031 exchange?

- You can trade real estate located in any state in the U.S. for real estate located in that same state or any other state in the U.S.
- In certain circumstances, you can trade U.S. real estate for real estate located in Guam, the Northern Mariana Islands or the U.S. Virgin Islands.
- You can trade foreign real estate for foreign real estate.

There can be complications when trading foreign real estate, such as converting different currencies. However, as long as you trade foreign real estate for foreign real estate, you should be able to do a 1031 exchange because the properties are considered like kind by the IRS.

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