



CELEBRATING
55 YEARS

nerej

What do I need to buy for a fully tax-deferred 1031 Exchange? - by Bill Lopriore

April 10, 2020 - Front Section



Bill Lopriore

Equal or Greater in Value and Equity

A common question from taxpayers is “How much do I have to buy in order to defer my taxes?” While it’s important to have your tax advisor determine this, there is a shorthand way to figure out whether the purchase you are contemplating will be enough to successfully complete your exchange.

To structure a fully tax-deferred exchange, you must do two things. First, you must acquire replacement property that is equal to or greater in value than the relinquished property you disposed. Additionally, you must invest all net cash that you get from the sale in the replacement property.

Trading Down

If you acquire replacement property that is valued less than the relinquished property and/or if you do not invest all of the net cash from the relinquished property into the replacement property, you still may benefit from a partial exchange. You may be able to defer some tax, but will also owe some tax on the transaction. However, if you trade down too much in value or equity, it may not be worthwhile to do an exchange. As mentioned above, it is important to have your tax advisor review your numbers.

Bill Lopriore is the northeast regional manager and counsel for First American Exchange Company, LLC.

Nothing contained in this article is to be considered as the rendering of legal advice for specific cases, and readers are responsible for obtaining such advice from their own legal counsel. This article is intended for educational and informational purposes only. The views and opinions expressed in this article are solely those of this author, and do not necessarily reflect the views, opinions, or policies of this author’s employer, First American Exchange Company, LLC.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540