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Can you exchange one property for multiple, or multiple properties for one in a single 1031 exchange? - by Bill Lopriore

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Caption

Taxpayers often ask whether they can exchange out of more than one relinquished property for a single replacement property, and whether they can exchange into more than one replacement property for a single relinquished property. The short answer is yes – a single exchange can involve multiple relinquished and replacement properties. However, the time periods begin on the date of transfer for the first relinquished property. The limits on the number of properties that can be identified do not increase simply because the exchange has multiple properties. In addition, it may be challenging to use one exchange for multiple relinquished properties closing on different dates.

Depending on your circumstances, creating more than one exchange may be to your advantage. You may have more flexible time periods and greater potential to identify additional replacement properties. Be aware that the IRS may try to recharacterize your separate transactions as a single exchange. For example, if all the properties are transferred to a single buyer under one contract using the same escrow closing, the IRS could argue that the transaction is one exchange. Another relevant factor is whether the relinquished properties are contiguous and/or operated as a single property.

If separate exchanges are used, it is important to retain competent tax advice and make each relinquished property closing separate and distinct from the other closings.

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

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