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For fall exchangers, timing is everything

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Ahh, Springtime: Baseball and taxes...Taking advantage of tax deferrals is like scoring a home run against those rival capital gains - cover all your bases upfront and on time, you're safe! One miss-step and the exchange game is over. Taxpayers benefiting from a 1031 Exchange late in the year should be aware of alternative filing procedures.

Fall Exchangers Take Notice

The key deadline to completing a tax deferred exchange is to purchase replacement property 180 days following the relinquished property sale, or by the tax return due date for the year the relinquished property was transferred, whichever is earlier. Since taxpayers must report their Exchange on the tax return for the year in which the exchange transaction begins, this brings a note of caution to those calendar filers who sold property this past fall.

Assuming the tax return filing due date is April 15th, any exchanger relinquishing property after October 18th has less than 180 days in which to complete the exchange, (advisors should clarify whether calendar or fiscal year returns are filed). For those who cannot complete the replacement purchase in the lesser-allotted time, the remedy is to file a tax return extension, thus taking full advantage of the six month time period. Upon conclusion of the exchange, IRS Form 8824, Like-Kind Exchanges, must be prepared to reflect the completed transactions.

Failure to follow proper tax filing procedures may result in missed opportunities and could possibly nullify the entire tax savings! An integral part of any taxpayer's agenda should include consulting with a well informed 1031 qualified intermediary, in conjunction with legal and/or tax counsel.

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