



IRC Section 1031 limits like-kind property to only certain types of real property. The term like-kind property refers to the nature or character of the property, rather than its grade or quality. Real property must be exchanged for like-kind real property. Furthermore, real property held for investment can be exchanged for real property used in a trade or business or real property held for use in a trade or business can be exchanged for real property held for investment.

## WHAT IS EXCLUDED?

Personal property is not eligible for 1031 exchange tax deferral.

Regarding real property, a taxpayer's primary residence and property held primarily for resale or dealer property are excluded from tax deferral under Section 1031. Section 121 provides tax exclusion for a taxpayer's primary residence held for two (2) of the past five (5) years.

## QUALIFYING REAL PROPERTY

The types of real property which can be exchanged under Section 1031 are very broad. Any real property held for productive use in a trade or business or for investment, whether improved or unimproved, is considered like-kind real property. Examples of like-kind real property include:

- Unimproved property for improved property;
- Fee for a leasehold with 30 or more years;
- Vacant land for a commercial building;
- Duplex for a retail property;
- Single-family rental for a multi-family apartment;
- Conservation easement for warehouse to be used in the taxpayer's business;

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### Compliments of:



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