1031 Tax Filing Requirements

Beware If You Are Closing After October 17



1031

IRS FORM 8824 - REPORTING THE EXCHANGE

IRS Form 8824, Like-Kind Exchanges, is filed to reflect the exchange on the taxpayer's federal tax return in the year the transaction began (i.e. the year the relinquished property was sold to a buyer). The form requires the taxpayer to provide the following information:

Part I - Information on the Like-Kind Exchange

- 1. Description of like-kind property given up;
- 2. Description of like-kind property received;
- 3. Date like-kind property given up was acquired;
- 4. Date property was transferred to other party;
- 5. Date like-kind property was identified;
- 6. Date like-kind replacement property was received.

Part II - Related Party Exchange Information

Part III - Realized Gain or (Loss), Recognized Gain, Basis

Part IV - Deferral of Gain from Section 1043 Sales

IRS FORM 4797/SCHEDULE D - REPORTING THE GAIN

IRS Form 4797, Sales of Business Property or Schedule D is filed to report the taxable gain. The gain must be allocated between capital gain, ordinary income depreciation recapture, Section 1231 gain and unrecaptured Section 1250 gain.

IRS FORM 6252 - REPORTING AN INSTALLMENT SALE

<u>IRS Form 6252, Installment Sale Income</u> must be filed if the taxpayer carries back a note to a buyer on the sale of the relinquished and is able to report the taxable gain under the installment sale rules. This is a brief summary. Every taxpayer should consult with a tax advisor to review their specific situation and tax filing requirements.

DUE DATE OF THE TAX RETURN

A taxpayer has to complete their exchange within 180-calendar days, or the date their tax return is due – whichever is earlier.

If a taxpayer closes an exchange:

- Between October 17 and December 31;
- Files their tax return on April 15;
- Desires the ability to have up to 180-calendar days to complete their exchange by purchasing one or more replacement properties; then the taxpayer must: file an extension by April 15, using IRS Form 4868, which would extend the date the taxpayer's federal tax return is due until August 15 of that year.

If the tax extension is not filed by their tax filing date, the taxpayer's exchange period is shortened to the actual date their tax return is

Compliments of:



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