IRC Section 1031 – Understanding Like-Kind Exchanges

**NASBA field of study:** Taxes – 2 hours CPE

**Instructor:** Stuart Sobel

IRC section 1031 represents the ultimate in tax planning: realize income without having it recognized for tax purposes. However, if tax planning is improper, the consequences can be significant, as the taxes may leave insufficient cash to buy the replacement property.

Creating a like-kind exchange requires tax planning and proper execution. To ensure that clients receive favorable tax treatment, it is vital that the practitioner act as the focal point in the transaction with taxpayers, realtors, attorneys, and escrow agents.

This course, which is geared to the tax professional specializing in tax planning as well as tax preparation, will provide an in-depth analysis of this challenging code section.

**Who should attend:** Tax practitioners

**Topics covered:**

* History of section 1031
* Tax consequences of sale and exchange of property
* Realized and recognized gain
* Advantages and disadvantages of like-kind exchanges
* Applicability of section 1031 to
  + Trade, business, or investment property
  + Personal residence or vacation home
* Like-kind property
* Planning issues:
  + Timing
  + Identification rules
  + Same taxpayer requirement
  + Exchanges between related parties
  + Impact of *boot*
* Depreciation recapture
* Disallowed exchanges
* Types of tax-deferred exchanges
  + Deferred exchanges
  + Reverse exchanges
  + Multiple property exchanges
* Proper reporting of like-kind exchanges
* Depreciation of property acquired in like-kind exchanges
* Estate planning tips
* Summary

**Learning objectives:**

* Be able to identify qualifying like-kind property
* Know how to avoid unplanned tax consequences of improperly executed exchanges
* Know how to calculate the tax basis of property involved in an exchange
* Know how to report a like-kind exchange on a tax return