

Why Choose Exchange Resources, Inc. as Your Qualified Intermediary

- In-House Legal Counsel
- Fidelity Bond
- Errors and Omissions Policy
- Certified Exchange Specialists on Staff
- Experienced Exchange Administrators
- Segregated Exchange Accounts
- DRE Accredited Classes

For 1031 Tax Deferred Exchange Information:

- **Simultaneous**
- **Delayed**
- **Build-to-Suit**
- **Reverse**



Bruce Glaser

bglaser@exchangeresources.net

(877) 799-1031

(619) 518-4660

“Like-Kind” Property

To qualify for tax-deferred treatment, the relinquished (sold) property must be exchanged for replacement (purchased) property that is “like-kind”. The term “like-kind” refers to how the property is held by the taxpayer for tax purposes, not the type or character of the property. In essence, all real property is “like-kind” to other real property in an exchange as long as the property has been held or will be held for investment purposes or in the productive use of a trade or business. The following are examples of “like-kind” properties:

- Commercial building for ranch land
- Vacant land for residential rental homes
- Rental properties for an easement
- Leasehold interest of 30 years or more for an apartment complex

If the taxpayer is exchanging personal property, the rules are more restrictive. It is very important when doing a personal property exchange that the taxpayer consult with a tax advisor. Personal property is considered like-kind only if it appears in the same General Asset Class or Business Class. Therefore, the taxpayer may exchange:

- Airplane for an airplane
- Boat for a boat
- Truck for a truck
- Dental office for a dental office

The intent to hold property for personal use will not qualify for 1031 Tax Deferred treatment. Therefore, neither the relinquished property nor the replacement property may be the taxpayer’s *principal residence*. Second homes will not qualify unless the property owner changes how they treat or use the second home, i.e. changes the character of the property. A taxpayer may convert their second home to an investment property by renting it out and holding it as a rental property.

The intent to hold property “primarily for sale” will prevent the property from qualifying as an investment property. Most properties owned by developers, builders and those who perform rehabilitation work are considered to be held primarily for sale and will not qualify. Dealers of property cannot do exchanges.