



# Like-Kind Exchange

REAL ESTATE TAX TIP

Generally, if you exchange investment property solely for investment property of a like kind, gain may be deferred into the future under Internal Revenue Code Section 1031. If, as part of the exchange, you also receive other (not like-kind) property or money, gain is recognized to the extent of the other property and money received.

**Source:**

*Internal Revenue Service*

**Additional Resources:**

*IRS Publication #544  
Sales and Other Dispositions  
of Assets*

*IRS Form #8824  
Like-Kind Exchanges (PDF)*

Section 1031 does not apply to exchanges of inventory, stocks, bonds, notes, other securities or evidence of indebtedness, or certain other assets and only applies to passive investment real property.

In evaluating whether a Section 1031 exchange is right for you, the first step is to contact your tax professional (CPA or tax attorney) and determine the taxable basis of the property you wish to sell. This will allow you to determine the amount of tax that you can defer.

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