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The information below is solely provided for informational purposes and does not create a business or professional relationship. This publication is intended to provide basic information about §1031 Exchanges and does not contain tax or legal advice.

Valuable Information for Real Estate Professionals and their Clients

WHAT IS CONSIDERED LIKE-KIND PROPERTY?

In general, all property or equipment held for investment purposes or used in a business or trade qualifies for exchange treatment. The term "like-kind" refers to the nature of the property, rather than its grade or quality. Real property must be exchanged for other like-kind real property and is not considered like-kind to personal property.

QUALIFYING REAL PROPERTY

The like-kind standard for real property is extremely broad. In essence, any real property which is held for productive use in a trade or business or for investment is considered like-kind. This property can be improved or unimproved as it will not affect the nature or character of the property.

Other types of properties which may qualify are vacation homes, leasehold interests, conservation easements, and water or timber rights. Consult your tax professional to ensure that the property you want to exchange will qualify. Like-kind examples include, but are not limited to:

- ▶ Vacant land for apartment building
- ▶ Commercial property for duplex
- ▶ Single family rental for rental resort property
- ▶ Unimproved property for improved property
- ▶ Industrial property for a multi-plex
- ▶ Fee simple for a leasehold with 30+ years

QUALIFYING PERSONAL PROPERTY

Exchanges involving personal property afford clients the ability to engage in the most diverse types of exchanges possible. Generally, the taxable gain on the disposition of most personal property assets is primarily due to the depreciation taken over the life of the asset and is less likely to be due to the combination of depreciation and appreciation in the assets value, such as is common in the sale of real property assets.

To qualify for exchange treatment, personal property assets must be either like-kind or like-class. Tangible depreciable personal property is considered like-class if it falls within the same General Asset Class or Product Class. Examples of personal property exchanges may include:

- ▶ Aircraft for aircraft
- ▶ Irrigation equipment for irrigation equipment
- ▶ Computers for computers

EXCLUDED PROPERTY

Certain types of property are specifically excluded from Section 1031 treatment, namely:

- ▶ Exchanger's primary residence
- ▶ Property held "primarily for resale"
- ▶ Stocks, bonds or notes