

§ 1031 Exchanges – Essential Concepts



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Internal Revenue Code §1031

- “No gain or loss shall be recognized (taxed) on the exchange of property **held for** the productive use in a trade or business or for investment if such property is **exchanged** solely for property of like kind which is to be **held** either **for** productive use in a trade or business or for investment”.
- “Plain language” translation
 - Any gain realized on an exchange of like kind property **will not** be taxed until you “cash out” of your investment

Non-Tax Reasons For Exchanging

- Increase cash flow
- Reduce operating expenses
- Increase net worth
- Increase appreciation potential
- Reduce risk
- Less management-intensive property
- Consolidate
- Diversify
- Move from co-owned property to exclusive ownership

Diversify

