

2024 Exchange Reporting Guide





Introduction

As a full service like-kind exchange accommodator, 1031 CORP. is providing this Guide to assist our valued clients and their tax return preparers regarding the required tax reporting for an exchange commenced in 2024. While 1031 CORP. does not provide tax or legal advice, we hope the information in this Guide is helpful in completing IRS Form 8824 and understanding other tax consequences of your like-kind exchange. Because Form 8824 is not necessarily “user friendly,” we have included line by line instructions to assist you.

In a number of places in the Guide, we refer to your “recognized gain” and to your “realized gain.” For example, if you sell a property for \$1,000,000 (ignoring transaction costs) and your adjusted tax basis is \$200,000, your “realized gain” is \$800,000. Your “recognized gain” will be lower (and possibly zero); however, if you complete a Section 1031 exchange. (“Realized gain” refers to your economic gain; “recognized gain” is the gain you report on your income tax return as taxable income.) In general, your recognized gain will be zero if you trade “equal or up” in both value and equity on your exchange. For example, assume the same facts as above and also assume your relinquished property is subject to debt of \$400,000 so that \$600,000 (i.e., your equity) is deposited as exchange funds with us. To fully defer your realized gain (i.e., to achieve zero recognized gain), you must invest in your replacement all \$600,000 of exchange funds plus an additional \$400,000 from one or more of the following sources: (i) assumed debt, (ii) new debt, or (iii) out-of-pocket cash. Each dollar of shortfall in either equity or value generally will give rise to a dollar of recognized gain or taxable “boot.”

As noted above, 1031 CORP. does not provide legal, tax or accounting services. This Guide provides only a summary of certain tax issues related to Section 1031 exchanges. There may be other tax issues based on your particular circumstances which we are not addressing. We strongly encourage you to consult with a competent tax advisor regarding all tax and legal aspects of your exchange including the preparation of Form 8824.

Our outside tax counsel at Flaster Greenberg PC assisted in the preparation of this Guide. David Shechtman and Matthew J. Meltzer at Flaster Greenberg are nationally recognized 1031 experts. Their contact information is below if you are interested in retaining them for complex tax reporting issues or tax advice on future exchanges.

David Shechtman, Flaster Greenberg PC

p: 215.279.9381 • f: 610.260.4447 • c: 610.453.1974 • e: David.Shechtman@flastergreenberg.com

Matthew J. Meltzer, Flaster Greenberg PC

p: 215.279.9384 • f: 610.260.4447 • e: Matthew.Meltzer@flastergreenberg.com

Table of Contents

Reporting Interest on Exchange Proceeds	1
When to Report an Exchange	1
Federally Declared Disaster Extensions	2
Exchanges with “Boot” or Failed Exchange Spanning Two Tax Years	2
Depreciation of Replacement Property; Depreciation Recapture	3
Repeal of Personal Property Exchanges; Cost Segregation	4
Reporting a “Reverse” Exchange	5
Selective State Tax Issues	5
Completion of Form 8824 “Like-Kind Exchanges”	6
2024 IRS Form 8824 “Like-Kind Exchanges”	9

Reporting Interest on Exchange Proceeds

If your exchange proceeds were deposited into an interest-bearing exchange account with one of the several financial institutions utilized by 1031 CORP., you should receive a Form 1099-INT directly from the financial institution. The primary financial institutions used by 1031 CORP. in 2024 were Customers Bank, TriState Capital Bank and LINKBANK.

If your exchange was initiated in 2024 and completed in 2025, you will receive two separate Form 1099-INT statements -- one for each calendar year. Report your 2024 interest income as shown on your 2024 Form 1099-INT whether you reinvested your interest earnings into your replacement property or received them directly from 1031 CORP. after the completion of your exchange.

If you have not received your Form 1099-INT for 2024, please contact your Exchange Officer and we will request a duplicate copy from the financial institution.

When to Report an Exchange

A 1031 exchange must be reported for the tax year in which the exchange was initiated by the sale of your first relinquished property, regardless of the year in which you acquire your replacement property(ies). **DO NOT** file your tax return until your exchange is complete. If the due date for your 2024 tax return (April 15, 2025 for individuals and March 15, 2025 for tax partnerships and corporations) precedes the completion of your exchange, you must file for an extension in order to have the benefit of the full 180-Day Exchange Period in which to acquire your replacement property(ies).

For individual taxpayers with an April 15, 2025 reporting deadline:

- If the exchange was *initiated and completed in 2024*, you can file your return and report the exchange by the normal due date of April 15, 2025.
- If your exchange was *initiated in 2024 and you have not yet acquired all your desired replacement property(ies)*, you must wait until you do so before filing your return.
 - If your 180-Day Exchange Period ends **before** the April 15, 2025 deadline, you can file your return as soon as your exchange is completed.
 - If your 180-Day Exchange Period ends **after** the April 15, 2025 deadline and you still intend to acquire one or more replacement properties to complete your exchange, you must file for an extension to avoid an early termination of your exchange period. You must then file your return on or before October 15, 2025.
 - For tax partnerships and corporations, the same rules apply, substituting "March 15" for "April 15" and "September 15" for "October 15".

Filing your return before your exchange is complete WILL automatically end your 180-Day Exchange Period. Filing for an extension will give you the full 180-Day Exchange Period to complete your exchange as well as an additional six-month period to file your return. Unfortunately, if you file your return without an extension, you automatically end your exchange period. There is no way to amend your return or continue your exchange, and you will have to report your relinquished property sale as a taxable event. You can request a filing extension on Form 4868. Estimated taxes are still due at the time the extension is filed.

Federally Declared Disaster Extensions

Taxpayers whose exchanges are affected by a Federally Declared Disaster (such as a wildfire, hurricane or severe storm) may qualify for extensions of the 45-Day Identification Period and/or the 180-Day Exchange Period. Disaster relief is not automatic and is available only if the IRS provides a notice specifically designating certain counties in a particular state as eligible for deadline extensions. Under IRS Rev. Proc. 2018-58, a taxpayer may qualify for 1031 deadline extensions if (i) the taxpayer either resides in, or has a principal place of business in, the disaster area or (ii) has difficulty meeting one or both 1031 deadlines for certain reasons set forth in Rev. Proc. 2018-58 (for example, if an identified replacement property is located in the disaster area or certain records are destroyed as a result of the disaster).

If you believe you may qualify for disaster relief, please contact your Exchange Officer for a copy of Rev. Proc. 2018-58 and a form of Disaster Relief Certificate we can provide. You must note on your Form 8824 the relevant IRS disaster relief notice upon which you are relying.

Exchanges with “Boot” Received in Following Tax Year

An exchange started near the end of a tax year often will not be completed until the following tax year. Treasury Regulations address how to handle exchanges in which cash “boot” is received by the taxpayer in the year following the relinquished property sale as well as an intended exchange started in one year which fails completely the following year (that is, no replacement properties are acquired and we return all exchange proceeds to you).

For such an exchange with “boot,” you may elect to report your “boot” gain on your 2025 return (i.e., defer the reporting of gain for one year) using the installment method as described in Section 453 of the Code. The installment method allows a taxpayer to recognize gain from the sale of property as each payment is received. For a failed exchange which spans two tax years, you likewise may report your gain on your 2025 return provided that you had a “bona fide intent” to complete an exchange. If you use the installment method to report your “boot” gain, you should not enter the amount of boot on Line 22 of the Form 8824. Instead, you should file Form 6252 and follow the instructions for a part exchange, part installment sale transaction.

If your relinquished property was subject to debt paid off at closing, Rev. Rul. 2003-56 provides that the amount by which your relinquished property debt exceeds your replacement property debt is treated as money received in the year of the sale for installment sale purposes. Although the ruling addresses an exchange by a tax partnership, it is applicable to other taxpayers as well. The use of the installment method is elective, and you should consult your tax advisor to determine the best course of action based on your particular facts.

Depreciation of Replacement Property; Depreciation Recapture

If a taxpayer acquires improved property as its replacement property in a Section 1031 exchange, the taxpayer must allocate its basis between land (which is not depreciable) and a building (which is depreciable) in proportion to their relative fair market values. Although the Treasury Regulations provide a complex set of rules for determining replacement property basis, a rule of thumb is that basis equals the cost (including capitalized expenses) of the replacement property minus the amount of gain deferred on the disposition of the relinquished property.

Treasury Regulations under Section 168 of the Code (establishing the MACRS system of depreciation) split the basis of replacement property between the “exchanged basis” (that is, the basis carried over from the relinquished property) and the “excess basis” (that is, additional basis resulting from a taxpayer “trading up” in value). In general, exchanged basis is depreciated over the remaining recovery period of the MACRS relinquished property using the same depreciation method and convention. Excess basis in MACRS replacement property is treated as new property and is depreciable over the applicable MACRS recovery period, using the applicable depreciation method and convention at the time the replacement MACRS property is placed in service. A taxpayer may opt out of the foregoing rules and elect to treat both exchanged basis and excess basis as new MACRS property. You should consult your tax advisor as to the best approach for future depreciation deductions based on your particular circumstances.

In some circumstances, a taxpayer may recognize depreciation recapture income (which is taxable as ordinary income under the marginal tax rates) on a Section 1031 exchange even if the taxpayer trades equal or up in both value and equity. This can occur if (among other circumstances) some of your relinquished property was so-called “Section 1245” property. (See discussion of “cost segregation” below.) While a full discussion of depreciation recapture is beyond the scope of this Guide, in general there is no depreciation recapture on the disposition of relinquished real property you depreciated using the “straight line” method. Note that depreciation recapture differs from so-called “un-recaptured Section 1250 gain.” The latter applies only if you have taxable “boot” gain on your exchange, which causes some or all of that gain to be taxed at a maximum rate of 25% (as opposed to the maximum 20% rate generally applicable to capital gains) to the extent of straight-line depreciation previously claimed.

Personal Property Exchanges after December 31, 2017; Cost Segregation

For exchanges commencing after December 31, 2017, the “Tax Cuts and Jobs Act” repealed Section 1031 deferral for exchanges of tangible personal property (e.g., furniture and equipment) and intangible property (e.g., franchise rights). As a result, only exchanges of “real property” qualify for tax deferral. Detailed Treasury Regulations finalized in 2020 provide a definition of “real property” that is broad enough to include assets typically identified in so-called “cost segregation studies” (such as wiring, plumbing systems, permanent floor coverings, and security systems). If you depreciated some of your relinquished property on an accelerated method based upon a cost segregation study, you may recognize depreciation recapture income on your exchange unless you acquire an equal or greater amount of such property as your replacement property.



Reporting a “Reverse” Exchange

IRS Rev. Proc. 2000-37 provides a “safe harbor” for so-called reverse exchanges in which an accommodation party (referred to as an “Exchange Accommodation Titleholder” or “EAT”) acquires and “parks” the taxpayer’s intended replacement property pending disposition of the taxpayer’s relinquished property. If the arrangement satisfies the safe harbor, then the EAT is respected as the tax owner of the “parked” replacement property even though the EAT lacks any of the normal burdens and benefits of property ownership. There are no special tax reporting requirements for a reverse exchange. On Line 6 of Form 8824, you should list the date the EAT transferred the “parked” replacement property to you (and not the date the EAT acquired the property from the original seller) as the date you received your replacement property.

Selective State Tax Issues

- All states with an income tax regime conform to the federal tax treatment of like-kind exchanges. Pennsylvania was the final state to conform, effective for exchanges commenced on or after January 1, 2023.
- A number of states require tax withholding if the seller of real property is a non-resident of the state. Although these states also provide an exemption for withholding on like-kind exchanges, various tax reporting issues may still apply.
- California, Massachusetts, Montana and Oregon have enacted “claw-back” regimes to tax dispositions of in-state relinquished property exchanged for out-of-state replacement property when the replacement property is sold. California has the most comprehensive regime and requires the filing of an information return for the year of the exchange and subsequent years until gain is recognized on a California tax return.

Please consult your tax advisor for information on how to report your exchange to the appropriate state(s) and comply with any additional filing requirements.

Completion of Form 8824 “Like-Kind Exchanges”

A 1031 exchange is reported on Form 8824 “Like-Kind Exchanges.” This form cannot be completed until all replacement property is acquired and the exchange is complete. The following step by step instructions should assist you with the completion of this form.

If your exchange involved more than one relinquished property and/or more than one replacement, you should attach separate schedules showing the required information for each such property and provide aggregate numbers in Part II.

To complete certain lines on Form 8824 you need to determine so-called “exchange expenses” related to the disposition of your relinquished property and acquisition of your replacement property. Most expense items reported on a settlement statement qualify as exchange expenses (e.g., title insurance, realty transfer taxes, exchange fees) but others do not (e.g., loan fees, security deposits and pro-rated rent and property taxes). You should consult your tax advisor to determine which expenses qualify for inclusion on Line 15 or Line 18 of Form 8824.

Part I:

- Line 1 Describe the relinquished property(ies) (e.g. ranch, duplex, raw land).
- Line 2 Describe the replacement property(ies) (e.g. ranch, duplex, raw land).
- Line 3 Use initial acquisition date of the relinquished property regardless of the date of any improvements you made subsequent to initial purchase.
- Line 4 Use the date you sold your first relinquished property if you sold more than one.
- Line 5 This is the date you provided to us the required identification notice for your exchange. Absent a disaster extension, the date must be on or before the 45th day after the date set forth in Line 4. If you acquired your replacement property before the end of your 45-Day Identification Period, provide the date you closed on that property.
- Line 6 Enter the date you closed on your replacement property.
- Line 7 If we acted as your qualified intermediary in your exchange, check this box only if you acquired your replacement property from a related party. A “related party” for an individual includes family members (including siblings) and certain entities (e.g., partnerships, corporations and certain trusts) controlled (directly or indirectly) by such individual or his/her family. A related party for an entity includes individuals who directly or indirectly control such entity as well as other entities controlled by, or under common control with, such entity.

A sale of your relinquished property to a related party is not subject to the limitations on related party exchanges and you need not check “Yes” on Line 7 (or complete Part II). If you did acquire replacement property from a related party, your exchange is fully taxable (and should not be reported on Form 8824) unless you can provide the information required by Line 11(c) as to a “non-tax avoidance” purpose.

Part II:

Complete Lines 8 – 11 only if (i) you checked “Yes” on Line 7 because you acquired your replacement property (through 1031 CORP.) from a related party and (ii) you believe you can check Box 11(c) and demonstrate a “non-tax avoidance” motive.

- Line 8 Enter the required information for the related party seller.
- Line 9-10 If you acquired your replacement property (through 1031 CORP.) from a related party seller check “Yes” on Line 9 and “No” on Line 10.
- Line 11 Line 11(c) is potentially available for you to check only if you can establish a non-tax avoidance purpose for acquiring your replacement property from a related party. This is a stringent test but may be satisfied if (i) the related party seller owes more in taxes than you would have owed on a fully taxable sale of your relinquished property or (ii) the related party seller is completing its own exchange.

Part III:

- Lines 12, 13, 14 Given that Section 1031 now applies only to exchanges of real property, 1031 CORP. generally will not receive relinquished property sale proceeds allocable to personal property (e.g., furniture or equipment), nor will we use exchange proceeds to acquire personal property which is not “incidental” to the real property. Accordingly, some lines in Part III of Form 8824 will not be relevant to your exchange. You should enter zero on these lines unless 1031 CORP. received sale proceeds allocable to personal property.
- Line 15 This line adds up various items which determine the aggregate “boot,” if any, you received in your exchange in cases where you “traded down” in either equity or value. If you traded equal or up in equity and value, enter “zero” on this line. Otherwise enter the sum of the first three items below, reduced by the fourth item:
- (i). cash you received either directly from the buyer at your relinquished property closing or from us upon completion of your exchange; plus
 - (ii). the fair market value of any non like-kind property received in the exchange (likely to be zero unless we used exchange funds to buy incidental personal property); plus
 - (iii). the excess, if any, of (a) the debt on your relinquished property paid off or assumed by your buyer at closing over (b) the sum of (x) any replacement property debt you assumed, (y) any new debt you incurred to acquire your replacement property and (z) any out-of-pocket cash you paid to acquire your replacement property;
 - (iv). reduced (but not below zero) by exchange expenses.
- Line 16 This is the purchase price of the replacement property. Do not reduce this by any transaction costs.
- Line 17 This is the sum of Lines 15 and 16 and reflects the total consideration (like-kind property plus taxable “boot,” if any) received in exchange for your relinquished property.

- Line 18 This line provides the amount you may subtract from the gross purchase price for your relinquished property in order to calculate your realized gain. It is the sum of the following items: (i) the adjusted tax basis of your relinquished property; (ii) the net out-of-pocket cash, if any, you added to complete the exchange (not otherwise used to offset potential “debt boot” on Line 15); and (iii) exchange expenses not otherwise used on Line 15.
- Line 19 Subtract Line 18 from Line 17. This is your realized gain. This is the gain that would be taxed in full if you had sold your relinquished property for cash and not completed an exchange.
- Line 20 This number will be “zero” if you traded equal or up in both equity and value. Otherwise, you almost always will enter the “boot” amount from Line 15.
- Line 21 See discussion of “Depreciation Recapture” above. As discussed, it is unlikely you will have depreciation recapture on an exchange of real properties unless you disposed of some “Section 1245 property.
- Line 22 To the extent that there is an excess of Line 20 (“boot gain”) over Line 21 (“recapture”), this excess is reported on Line 22. This amount is reported on the appropriate form (typically Schedule D or Form 4797). If you are eligible and elect the installment method, this gain is reported on Form 6252.
- Line 23 This is the sum of Lines 21 and 22. It cannot exceed Line 20 (recognized gain) and also must not exceed Line 19 (realized gain).
- Line 24 This is the difference between Line 19 (realized gain) and Line 23 (recognized gain) and equals the amount of realized gain you are deferring as a result of your exchange.
- Line 25 This line is used to determine your basis in your replacement property. This is the sum of Lines 18 (adjusted basis plus excess exchange expenses) and 23 (recognized gain) reduced by Line 15 (“boot received”).
- Line 25(a) - (c) Unless you received raw land as your replacement property, complete these lines to report the Section 1250 property (typically a building) and Section 1245 property (typically cost-segregation items) you received.

Like-Kind Exchanges
 (and section 1043 conflict-of-interest sales)
 Attach to your tax return.
 Go to www.irs.gov/Form8824 for instructions and the latest information.

Name(s) shown on tax return

Identifying number

Part I Information on the Like-Kind Exchange

Note: Only real property should be described on lines 1 and 2. If the property described on line 1 or line 2 is real property located outside the United States, indicate the country.

- 1 Description of like-kind property given up:

- 2 Description of like-kind property received:

- 3 Date like-kind property given up was originally acquired (month, day, year) **3** MM/DD/YYYY
- 4 Date you actually transferred your property to the other party (month, day, year) **4** MM/DD/YYYY
- 5 Date like-kind property you received was identified by written notice to another party (month, day, year). See instructions for 45-day written identification requirement **5** MM/DD/YYYY
- 6 Date you actually received the like-kind property from other party (month, day, year). See instructions **6** MM/DD/YYYY
- 7 Was the exchange of the property given up or received made with a related party, either directly or indirectly (such as through an intermediary)? See instructions. If "Yes," complete Part II. If "No," go to Part III . . . **Yes** **No**

Note: Do not file this form if a related party sold property into the exchange, directly or indirectly (such as through an intermediary); that property became your replacement property; and none of the exceptions on line 11 applies to the exchange. Instead, report the disposition of the property as if the exchange had been a sale. If one of the exceptions on line 11 applies to the exchange, complete Part II.

Part II Related Party Exchange Information

8 Name of related party	Relationship to you	Related party's identifying number
--------------------------------	---------------------	------------------------------------

Address (no., street, and apt., room, or suite no.; city or town; state; and ZIP code)

- 9 During this tax year (and before the date that is 2 years after the last transfer of property that was part of the exchange), did the related party sell or dispose of any part of the like-kind property received from you (or an intermediary) in the exchange? **Yes** **No**
- 10 During this tax year (and before the date that is 2 years after the last transfer of property that was part of the exchange), did you sell or dispose of any part of the like-kind property you received? **Yes** **No**

*If both lines 9 and 10 are "No" and this is the year of the exchange, go to Part III. If both lines 9 and 10 are "No" and this is **not** the year of the exchange, stop here. If either line 9 or line 10 is "Yes," complete Part III and report on this year's tax return the deferred gain or (loss) from line 24 **unless** one of the exceptions on line 11 applies.*

- 11 If one of the exceptions below applies to the disposition, check the applicable box.
 - a The disposition was after the death of either of the related parties.
 - b The disposition was an involuntary conversion, and the threat of conversion occurred after the exchange.
 - c You can establish to the satisfaction of the IRS that neither the exchange nor the disposition had tax avoidance as one of its principal purposes. If this box is checked, attach an explanation. See instructions.

Name(s) shown on tax return. Do not enter name and social security number if shown on other side.

Your social security number

Part III Realized Gain or (Loss), Recognized Gain, and Basis of Like-Kind Property Received

Caution: If you transferred and received (a) more than one group of like-kind properties, or (b) cash or other (not like-kind) property, see Reporting of multi-asset exchanges in the instructions.

Note: Complete lines 12 through 14 only if you gave up property that was not like-kind. Otherwise, go to line 15.

Table with 12 columns: Line number, Description, and numerical input boxes (12-25c). Rows include: 12 Fair market value (FMV) of other property given up; 13 Adjusted basis of other property given up; 14 Gain or (loss) recognized on other property given up; 15 Cash received, FMV of other property received, plus net liabilities assumed by other party, reduced (but not below zero) by any exchange expenses you incurred; 16 FMV of like-kind property you received; 17 Add lines 15 and 16; 18 Adjusted basis of like-kind property you gave up, net amounts paid to other party, plus any exchange expenses not used on line 15; 19 Realized gain or (loss); 20 Enter the smaller of line 15 or line 19, but not less than zero; 21 Ordinary income under recapture rules; 22 Subtract line 21 from line 20; 23 Recognized gain; 24 Deferred gain or (loss); 25 Basis of like-kind property received; 25a Basis of like-kind section 1250 property received; 25b Basis of like-kind section 1245 property received; 25c Basis of like-kind intangible property received.

Part IV Deferral of Gain From Section 1043 Conflict-of-Interest Sales

Note: This part is to be used only by officers or employees of the executive branch of the federal government or judicial officers of the federal government (including certain spouses, minor or dependent children, and trustees as described in section 1043) for reporting nonrecognition of gain under section 1043 on the sale of property to comply with the conflict-of-interest requirements. This part can be used only if the cost of the replacement property is more than the basis of the divested property.

Table with 12 columns: Line number, Description, and numerical input boxes (26-38). Rows include: 26 Enter the number from the upper right corner of your certificate of divestiture; 27 Description of divested property; 28 Description of replacement property; 29 Date divested property was sold (month, day, year); 30 Sales price of divested property; 31 Basis of divested property; 32 Realized gain; 33 Cost of replacement property purchased within 60 days after date of sale; 34 Subtract line 33 from line 30; 35 Ordinary income under recapture rules; 36 Subtract line 35 from line 34; 37 Deferred gain; 38 Basis of replacement property.

Instructions for Form 8824

Like-Kind Exchanges (and section 1043 conflict-of-interest sales)

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 8824 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form8824](https://www.irs.gov/Form8824).

What's New

New instructions for completing lines 12a, 15a, and 25a through 25c on e-filed Forms 8824. Lines 12a, 15a, and 25a through 25c have been added to e-filed Forms 8824. E-filers no longer need to attach a separate sheet providing details for those lines. See [Line 12a](#), [Line 15a](#), and [Lines 25a, 25b, and 25c](#), later.

Expanded examples. We expanded the examples in [Figuring amounts for lines 15 through 20](#) and [Figuring amounts for lines 21 through 24](#), later.

General Instructions

Reminders

Exchanges limited to real property. For 2018 and later years, section 1031 like-kind exchange treatment applies only to exchanges of real property held for use in a trade or business or for investment, other than real property held primarily for sale. Regulations sections 1.1031(a)-1, 1.1031(a)-3, and 1.1031(k)-1 provide a definition of real property under section 1031, address a taxpayer's receipt of personal property incidental to the like-kind real property received, and apply to like-kind exchanges after December 2, 2020. See [Definition of Real Property](#), later, for more details.

Special rules for capital gains invested in qualified opportunity funds (QOFs). Effective December 22, 2017, section 1400Z-2 provides a temporary deferral of inclusion in gross income for capital gains invested in QOFs, and permanent exclusion of capital gains from the sale or exchange of an investment in the QOF if the investment is held for at least 10 years. See the Form 8949 instructions on how to report your election to defer eligible gains invested in a QOF.

For additional information (including details on investments in QOFs held for at least 10 years), see [Opportunity Zones Frequently Asked Questions](#), at [IRS.gov](https://www.irs.gov).

Qualified opportunity investment. If you are an eligible taxpayer who held a qualified investment in a QOF at any time during the year, you must file your tax return with Form 8997, Initial and Annual Statement of Qualified Opportunity Fund (QOF) Investments, attached. See the Form 8997 instructions.

Purpose of Form

Use Parts I, II, and III of Form 8824 to report each exchange of business or investment real property for real property of a like kind. Form 8824 figures the amount of gain deferred as a result of a like-kind exchange. Use Part III to figure the amount of gain required to be reported on the tax return in the current year if cash or property that isn't of a like kind is involved in the exchange. Also, use Part III to figure the basis of the like-kind property received.

Certain members of the executive branch of the federal government and judicial officers of the federal government use Part IV to elect to defer gain on conflict-of-interest sales. Judicial officers of the federal government are the following.

1. Chief Justice of the United States.
2. Associate Justices of the Supreme Court.
3. Judges of the:
 - a. United States courts of appeals;
 - b. United States district courts, including the district courts in Guam, the Northern Mariana Islands, and the Virgin Islands;
 - c. Court of Appeals for the Federal Circuit;
 - d. Court of International Trade;
 - e. Tax Court;
 - f. Court of Federal Claims;
 - g. Court of Appeals for Veterans Claims;
 - h. United States Court of Appeals for the Armed Forces; and
 - i. Any court created by an Act of Congress, the judges of which are entitled to hold office during good behavior.

Multiple exchanges. If you made more than one like-kind exchange, you can file a summary on one Form 8824 and attach your own statement showing all the information requested on Form 8824 for each exchange. Include your name and identifying number at the top of each page of the statement. On the summary Form 8824, enter only your name and identifying number, "Summary" on line 1, the total recognized gain from all exchanges on line 23, and the total basis of all like-kind property received on line 25.

When To File

If during the current tax year you transferred property to another party in a like-kind exchange, you must file Form 8824 with your tax return for that year. Also file Form 8824 for the 2 years following the year of a related party exchange. See [Line 7](#), later, for details.

Like-Kind Exchanges (Form 8824: Parts I, II, and III)

Section 1031 regulations. Regulations sections 1.1031(a)-1, 1.1031(a)-3, and 1.1031(k)-1 implement statutory changes limiting the application of section 1031 to exchanges of real property. These regulations, which apply to like-kind exchanges beginning after December 2, 2020, provide a definition of real property under section 1031, and address a taxpayer's receipt of personal property that is incidental to real property the taxpayer receives in the exchange.

Generally, if you exchange business or investment real property solely for business or investment real property of a like kind, section 1031 provides that no gain or loss is recognized. If, as part of the exchange, you also receive other (non-like-kind) property or money, gain is recognized to the extent of the other property and money received, but a loss isn't recognized.

Section 1031 doesn't apply to exchanges of real property held primarily for sale. See section 1031(a)(2). In addition, section 1031 doesn't apply to certain exchanges involving tax-exempt use property subject to a lease. See section 470(e)(4).

Like-kind property. Properties are of like kind if they are of the same nature or character, even if they differ in grade or quality.

Generally, real properties are like-kind properties, regardless of whether they are improved or unimproved properties.

Property classified as real property under one of the definitions in the final regulations discussed above may be like-kind to other real property defined under another definition in the regulations.

However, real property in the United States and real property outside the United States aren't like-kind properties. See Pub. 544, Sales and Other Dispositions of Assets, for more details.

Definition of Real Property

Regulations section 1.1031(a)-3 defines real property as land and improvements to land, unsevered natural products of the land, and water and air space superjacent to land. It is further described as tangible and intangible real property, as discussed later.

Tangible property. Tangible property is real property for purposes of section 1031 if it meets any of the following.

- On the date it is transferred in an exchange, the property is classified as real property under the law of the state or local jurisdiction in which the property is located. See Regulations section 1.1031(a)-3(a)(6) and [Intangible property](#) next.
- The property is specifically listed as real property in Regulations section 1.1031(a)-3. See [Stock that is real property](#), later.
- The property is considered real property based on all the facts and circumstances under the various factors provided in Regulations section 1.1031(a)-3(a)(2). See [Property affixed to or integrated into real property](#), later.

Each distinct asset is separately analyzed from any other distinct asset to which it relates for purposes of determining whether the asset is real property under section 1031. See Regulations section 1.1031(a)-3(a)(4).

Intangible property. Intangible property is real property for purposes of section 1031 if it meets any of the following, subject to the exceptions provided in [Intangible property that is never real property under section 1031](#) next.

- On the date it is transferred in an exchange, the property is classified as real property under the law of the state or local jurisdiction in which the property is located.
- It is specifically listed in Regulations section 1.1031(a)-3 as real property.
- It derives its value from real property or an interest in real property and is inseparable from that real property or interest in real property (for example, an easement or an option to acquire real property). See Regulations section 1.1031(a)-3(a)(5).

Intangible property that is never real property under section 1031. The following assets are exceptions and not real property for purposes of section 1031, regardless of the classification of the property under state or local law.

- Stock (other than the type of stock described in [Stock that is real property](#) next), bonds, or notes.
- Other securities or evidences of indebtedness or interest.
- Interests in a partnership (other than an interest in a partnership that has in effect a valid election under section 761(a) to be excluded from the application of all of subchapter K).
- Certificates of trust or beneficial interests.
- Choses in action.

Stock that is real property. The following stock is listed in Regulations section 1.1031(a)-3 as real property for section 1031 purposes.

- Stock in a cooperative housing corporation.
- Shares in a mutual ditch, reservoir, or irrigation company described in section 501(c)(12)(A) if, at the time of the exchange, such shares have been recognized by the highest court of the state in which the company was organized, or by a state statute, as constituting or representing real property or an interest in real property.

Property affixed to or integrated into real property. If tangible property is permanently affixed to real property and will ordinarily remain affixed for an indefinite period of time, the property is generally an inherently permanent structure and real property for

section 1031 purposes, regardless of the use or purpose of the property or whether it contributes to the production of income. In addition, a structural component is real property for section 1031 purposes if it is a constituent part of, and integrated into, an inherently permanent structure, regardless of whether the structural component contributes to the production of income. For example, items of machinery or equipment are real property for like-kind exchange purposes if they comprise an inherently permanent structure, a structural component of an inherently permanent structure, or are classified as real property under state or local law.

Deferred Exchanges

A deferred exchange occurs when, based on an agreement, the property received in the exchange is received after the transfer of the property given up. For real property associated with a deferred exchange to qualify as like kind, you must comply with the timing requirements for identification and receipt of replacement property. The replacement property for the exchange must be identified within 45 days after the property being given up is transferred. The replacement property must be received within 180 days, or by the due date of your tax return (including extensions), whichever is earlier. See the instructions for [Line 5](#) and [Line 6](#), later, for more details.

If you make a deferred exchange using a qualified intermediary (QI), the transfer of the property given up and receipt of like-kind property is treated as a like-kind exchange. If you fail to meet the timing requirements because of the QI, your transaction won't qualify as a deferred exchange and any gain may be taxable in the year you transferred the property. However, if the QI defaults on its obligation to acquire and transfer replacement property because of bankruptcy or receivership proceedings and you meet certain requirements, you may be able to report the gain in the year or years payments are received. For the requirements, see Rev. Proc. 2010-14, 2010-12 I.R.B. 456, available at [IRS.gov/irb/2010-12_IRB#RP-2010-14](#). Related parties and agents of the taxpayer aren't eligible to be QIs, and are referred to as "disqualified persons." For more information on QIs and disqualified persons, see Pub. 544, chapter 1.



The QI exchange constitutes one safe harbor. For more details on QI exchanges and for a discussion of other safe harbors, see Pub. 544.

Incidental personal property. For deferred like-kind exchanges involving a QI, personal property that is incidental to replacement real property (incidental personal property) is disregarded in determining whether a taxpayer's rights to receive, pledge, borrow, or otherwise obtain the benefits of money or non-like-kind property held by the QI are expressly limited, as provided in Regulations section 1.1031(k)-1(g)(6) and (7).

Personal property is incidental to real property acquired in an exchange if:

- In standard commercial transactions, the personal property is typically transferred together with the real property; and
- The aggregate fair market value (FMV) of the incidental personal property transferred with the real property doesn't exceed 15% of the aggregate FMV of the replacement real property or properties received in the exchange (15% limitation). See Regulations section 1.1031(k)-1(g)(7).

Exchange with a related party. Special rules limit nonrecognition for an exchange with a related party. See [Line 7](#), later.

Multi-Asset Exchanges

A multi-asset exchange involves the transfer and receipt of more than one group of like-kind properties. The transfer or receipt of multiple properties within one like-kind group is also a multi-asset exchange. However, an exchange of a single piece of land, a vehicle, and cash for a single piece of land and a vehicle isn't a multi-asset exchange because, of the assets transferred, section 1031 may apply only to the exchange of the land for other land. Special rules apply when figuring the amount of gain recognized and your basis in properties received in a multi-asset exchange. For details, see Regulations section 1.1031(j)-1.

Reporting of multi-asset exchanges. If you transferred and received (a) more than one group of like-kind properties, or (b) cash or other (non-like-kind) property, don't complete lines 12 through 18 of Form 8824. Instead, attach your own statement showing how you figured the realized and recognized gain, and enter the correct amount on lines 19 through 25. Report any recognized gains on your Schedule D (Form 1040); Form 4797, Sales of Business Property; or Form 6252, Installment Sale Income, whichever applies.

Exchanges Using a Qualified Exchange Accommodation Arrangement (QEAA)

If property is transferred to an exchange accommodation titleholder (EAT) and held in a QEAA, the EAT may be treated as the beneficial owner of the property, the property transferred from the EAT to you may be treated as property you received in an exchange, and the property you transferred to the EAT may be treated as property you gave up in an exchange. This may be true even if the property you are to receive is transferred to the EAT before you transfer the property you are giving up. However, the property transferred to you can't be treated as property received in an exchange if you previously owned it within 180 days of its transfer to the EAT. For details, see Rev. Proc. 2000-37, as modified by Rev. Proc. 2004-51. Rev. Proc. 2000-37 is on page 308 of Internal Revenue Bulletin 2000-40 at [IRS.gov/pub/irs-irbs/irb00-40.pdf](https://www.irs.gov/pub/irs-irbs/irb00-40.pdf). Rev. Proc. 2004-51, 2004-33 I.R.B. 294, is available at [IRS.gov/irb/2004-33_IRB#RP-2004-51](https://www.irs.gov/irb/2004-33_IRB#RP-2004-51).

Property Used as Home

If the property given up was owned and used as your main home for at least a total of 2 years during the 5-year period ending on the date of the exchange, you may be able to exclude part or all of any gain figured on Form 8824.

For details on the exclusion of gain (including how to figure the amount of the exclusion), see Pub. 523, Selling Your Home. Fill out Form 8824 according to its instructions, with the following exceptions.

1. Subtract line 18 from line 17. Enter that result on line 19. On the dotted line next to line 19, enter "Section 121 exclusion" and the amount of the exclusion.
2. On line 20, enter the smaller of:
 - a. Line 15 minus the exclusion, or
 - b. Line 19.Don't enter less than zero.
3. Subtract line 15 from the sum of lines 18 and 23. Add the amount of your exclusion to the result. Enter that sum on line 25.

Report, on line 15a, a description of the other (non-like-kind) property received. If applicable, total FMV reported on line 25 is further allocated on lines 25a, 25b, and 25c, based on section 1250, section 1245, or intangible real property received in the exchange, respectively.

Property used partly as home. If the property given up was used partly as a home, and partly for business or investment, you will need to use two separate Forms 8824 as worksheets. Use one worksheet for the part of the property used as a home, and the other worksheet for the part used for business or investment. Fill out only lines 15 through 25 of each worksheet Form 8824. On the worksheet Form 8824 for the part of the property used as a home, follow steps 1 through 3 above, except that instead of following step 2, enter the amount from line 19 on line 20. On the worksheet Form 8824 for the part of the property used for business or investment, follow steps 1 through 3 above only if you can exclude at least part of any gain from the exchange of that part of the property; otherwise, complete the form according to its instructions. Enter the combined amounts from lines 15 through 25 of both worksheet Forms 8824 on the Form 8824 you file. Don't file either worksheet with Form 8824.

More information. For details, see Rev. Proc. 2005-14, 2005-7 I.R.B. 528, available at [IRS.gov/irb/2005-07_IRB#RP-2005-14](https://www.irs.gov/irb/2005-07_IRB#RP-2005-14).

Additional Information

For more information on like-kind exchanges, see section 1031, its regulations, and Pub. 544.

Specific Instructions

Lines 1 and 2. Generally, only real property should be described on lines 1 and 2, including intangible property that is treated as real property for like-kind exchange purposes. Enter the address and type of property. For property that is treated as real property for like-kind exchange purposes, but doesn't have an address, enter a short description. If the property described on line 1 or line 2 is real property located outside the United States, indicate the country.

Line 5. Enter on line 5 the date of the written identification of the like-kind property you received in a deferred exchange. To comply with the **45-day written identification requirement**, the following conditions must be met.

1. The like-kind property you receive in a deferred exchange is designated in writing as replacement property either in a document you signed or in a written agreement signed by all parties to the exchange.
2. The document or agreement describes the replacement property in a clear and recognizable manner. Real property should be described using a legal description, street address, or distinguishable name (for example, "Mayfair Apartment Building").
3. No later than 45 days after the date you transferred the property you gave up:
 - a. You fax, hand deliver, mail, or otherwise send the document you signed to the person required to transfer the replacement property to you (including a disqualified person) or to another person involved in the exchange (other than a disqualified person); or
 - b. All parties to the exchange sign the written agreement designating the replacement property.

Generally, a disqualified person is either your agent at the time of the transaction or a person related to you. For more details, see Regulations section 1.1031(k)-1(k). For more information on related persons, see [Line 7](#), later. Also, see details on disqualified persons in Pub. 544.

Note. If you received the replacement property before the end of the 45-day period, you are automatically treated as having met the 45-day written identification requirement. In this case, enter on line 5 the date you received the replacement property.

Line 6. Enter on line 6 the date you received the like-kind property from the other party.

The property must be received by the earlier of the following dates.

- The 180th day after the date you transferred the property given up in the exchange.
- The due date (including extensions) of your tax return for the year in which you transferred the property given up.

Line 7. Special rules apply to like-kind exchanges made with related parties, either directly or indirectly. A related party includes your spouse, child, grandchild, parent, grandparent, brother, sister, or a related corporation, S corporation, partnership, trust, estate, or tax-exempt organization. See section 1031(f).

An exchange made indirectly with a related party includes:

- An exchange made with a related party through an intermediary (such as a QI or an EAT, as defined in Pub. 544); or
- An exchange made by a disregarded entity (such as a single-member limited liability company) if you or a related party owned that entity.

An exchange structured to avoid the related party rules isn't a like-kind exchange. Don't report it on Form 8824. Instead, you should report the disposition of the property given up as if the exchange had been a sale. See section 1031(f)(4). Such an exchange includes the transfer of property you gave up to a QI in

exchange for property you received that was formerly owned by a related party if the related party received cash or other (non-like-kind) property for the property you received, and you used the QI intermediary to avoid the application of the related party rules. See Rev. Rul. 2002-83 for more details. You can find Rev. Rul. 2002-83 on page 927 of Internal Revenue Bulletin 2002-49 at [IRS.gov/pub/irs-irbs/irb02-49.pdf](https://www.irs.gov/pub/irs-irbs/irb02-49.pdf).



If, after the exchange, you own replacement property that a related party sold into the exchange for cash, or other (non-like-kind) property, through an unrelated party such as a QI, don't report the transaction on Form 8824 unless one of the exceptions on line 11 applies. Instead, report the disposition of the property given up as if the exchange had been a sale.

If you met one of the exceptions on line 11, and you or the related party (either directly or indirectly) dispose of property received in an exchange before the date that is 2 years after the last transfer that was part of the exchange, the deferred gain or (loss) from line 24 must be reported on your tax return for the year of disposition (unless an exception on Form 8824, line 11, applies).



The running of the 2-year holding period will be tolled for any period during which your risk of loss is substantially reduced. See Two-year holding period in Pub. 544.

If you are filing this form for 1 of the 2 years following the year of the exchange, complete Parts I and II. If both lines 9 and 10 are "No," **stop**. You don't have to complete Part III.

If either line 9 or line 10 is "Yes," and an exception on line 11 applies, check the applicable box on line 11, attach any required explanation, and **stop**. If none of the exceptions on line 11 apply, complete Part III. Report the deferred gain or (loss) from line 24 on this year's tax return as if the exchange had been a sale.

Lines 11a through 11c. The line 11 exceptions are in Form 8824 on lines 11a through 11c. These are the exceptions.

- Line 11a. The disposition was after the death of either party.
- Line 11b. The disposition was an involuntary conversion and the threat of conversion occurred after the exchange.
- Line 11c. You can establish to the satisfaction of the IRS that neither the disposition nor the exchange had tax avoidance as one of its principal purposes.

Line 11c. If you believe that you can establish to the satisfaction of the IRS that tax avoidance wasn't a principal purpose of both the exchange and the disposition, attach an explanation. Generally, tax avoidance won't be seen as a principal purpose in the case of:

- A disposition of property in a nonrecognition transaction,
- An exchange in which the related parties derive no tax advantage from the shifting of basis between the exchanged properties, or
- An exchange of undivided interests in different properties that results in each related party holding either the entire interest in a single property or a larger undivided interest in any of the properties.

Lines 12, 12a, 13, and 14. Lines 12 and 12a should be completed if other property that doesn't qualify as like-kind property was part of the exchange, in addition to the like-kind property. On line 12, enter the FMV of the other (non-like-kind) property that was given up.

Line 12a. On line 12a, enter a description of the other (non-like-kind) property given up.



Beginning with 2024 Form 8824, e-filers will not attach a separate sheet to their Form 8824 with the information for lines 12a, 15a, and 25a through 25c. Those lines are now on their e-filed Form 8824 and should be completed on the form itself.

Line 13. On line 13, enter the adjusted basis of the other property given up.

Line 14. The gain or (loss) from the other property given up is figured on line 14 and must be reported on your tax return. Report gain or (loss) as if the exchange were a sale.

Lines 15 and 15a. Include on line 15 the sum of:

- Any cash paid to you by the other party;
- The FMV of other (non-like-kind) property you received, if any; and

- Net liabilities assumed by the other party—the excess, if any, of liabilities (including mortgages) assumed by the other party over the total of (a) any liabilities you assumed, (b) cash you paid to the other party, and (c) the FMV of the other (non-like-kind) property you gave up.

Reduce the sum of the above amounts (but not below zero) by any exchange expenses you incurred.

The following rules apply in determining the amount of liability treated as assumed.

- A recourse liability (or portion thereof) is treated as assumed by the party receiving the property if that party has agreed to and is expected to satisfy the liability (or portion thereof). It doesn't matter whether the party transferring the property has been relieved of the liability.
- A nonrecourse liability is generally treated as assumed by the party receiving the property subject to the liability. However, if an owner of other assets subject to the same liability agrees with the party receiving the property to, and is expected to, satisfy part or all of the liability, the amount treated as assumed is reduced by the smaller of (a) the amount of the liability that the owner of the other assets has agreed to and is expected to satisfy, or (b) the FMV of those other assets.

Line 15a. On line 15a, enter a description of the other (non-like-kind) property received.



Beginning with 2024 Form 8824, e-filers will not attach a separate sheet to their Form 8824 with the information for lines 12a, 15a, and 25a through 25c. Those lines are now on their e-filed Form 8824 and should be completed on the form itself.

Line 18. Include on line 18 the sum of:

- The adjusted basis of the like-kind real property you gave up;
- Exchange expenses, if any (except for expenses used to reduce the amount reported on line 15); and
- The net amount paid to the other party—the excess, if any, of the total of (a) any liabilities you assumed, (b) cash you paid to the other party, and (c) the FMV of the other (non-like-kind) property you gave up over any liabilities assumed by the other party.

Figuring amounts for lines 15 through 20. See Regulations section 1.1031(d)-2 and the following example for figuring amounts to enter on lines 15 through 20.

Example. Taylor owns an apartment building with an FMV of \$220,000, with an adjusted basis of \$100,000, and that is subject to a mortgage of \$80,000. Finley owns an apartment building with an FMV of \$250,000, with an adjusted basis of \$175,000, and that is subject to a mortgage of \$150,000.

Taylor transfers Taylor's apartment building to Finley and receives in exchange Finley's apartment building plus \$40,000 cash. Taylor assumes the mortgage on the apartment building received from Finley, and Finley assumes the mortgage on the apartment building received from Taylor.

Summary of Facts

	Taylor Property	Finley Property
FMV – Real Property	\$220,000	\$250,000
Adjusted Basis	\$100,000	\$175,000
Mortgage	\$80,000	\$150,000
Cash Boot	\$0	\$40,000

Taylor files a Form 8824. Taylor enters on line 15 of the Form 8824 only the \$40,000 cash received from Finley, and, on line 15a, enters the description of the other (non-like-kind) property received as "cash." The \$80,000 of liabilities assumed by Finley isn't included because it doesn't exceed the \$150,000 of liabilities Taylor assumed. Taylor enters \$250,000 on line 16, the FMV of the apartment building received from Finley. Taylor enters \$290,000 on line 17, the sum of lines 15 and 16. Taylor enters \$170,000 on line 18—the \$100,000 adjusted basis, plus the \$70,000 excess of the liabilities Taylor assumed over the liabilities assumed by Finley (\$150,000 - \$80,000). Taylor subtracts line 18 from line 17 and enters the

\$120,000 gain realized on the exchange on line 19. Taylor enters \$40,000 on line 20, the lesser of line 15 or line 19.

Finley files a Form 8824. Finley enters \$30,000 on Finley's Form 8824, line 15—the excess of the \$150,000 of liabilities assumed by Taylor, over the sum of the \$80,000 of liabilities assumed from Taylor and the \$40,000 cash Finley paid Taylor (\$120,000). On line 15a, Finley writes "liabilities and cash." Finley enters \$220,000 on line 16, the FMV of the apartment building received from Taylor. Finley enters \$250,000 on line 17, the sum of lines 15 and 16. Finley enters on line 18 only the adjusted basis of \$175,000, because the total of the \$80,000 of liabilities Finley assumed from Taylor and the \$40,000 cash Finley paid Taylor doesn't exceed the \$150,000 of liabilities assumed by Taylor. Finley subtracts line 18 from line 17 and enters the \$75,000 in gain realized on line 19. Finley enters \$30,000 on line 20, the lesser of line 15 or line 19.

Line 21. If you disposed of section 1245, 1250, 1252, 1254, or 1255 property (see the instructions for Part III of Form 4797), you may be required to recapture as ordinary income part or all of the realized gain (line 19). Figure the amount to enter on line 21 as follows.

Section 1245 real property. Enter the smaller of:

1. The total adjustments for deductions (whether for the same or other property) allowed or allowable to you or any other person for depreciation or amortization (up to the amount of gain shown on line 19); or

2. The gain shown on line 20, if any, plus the FMV of non-section 1245 like-kind property received.

Section 1250 property. Enter the smaller of:

1. The gain you would have had to report as ordinary income because of additional depreciation if you had sold the property (see the Form 4797 instructions for line 26); or

2. The larger of:

a. The gain shown on line 20, if any; or

b. The excess, if any, of the gain in (1) above over the FMV of the section 1250 property received.

Section 1252, 1254, and 1255 property. The rules for these types of property are similar to those for section 1245 property. See Regulations sections 1.1252-2(d) and 1.1254-2(d) and Temporary Regulations section 16A.1255-2(c) for details.

If the installment method applies to this exchange:

1. See section 453(f)(6) to determine the installment sale income taxable for this year and report it on Form 6252;

2. Enter on Form 6252, line 25 or 36, the section 1252, 1254, or 1255 recapture amount you figured on Form 8824, line 21—don't enter more than the amount shown on Form 6252, line 24 or 35;

3. Also enter this amount on Form 4797, line 15; and

4. If all the ordinary income isn't recaptured this year, report in future years on Form 6252 the ordinary income up to the taxable installment sale income, until it is all reported.

Line 22. Report a gain from the exchange of property used in a trade or business (and other noncapital assets) on Form 4797, line 5 or line 16. Report a gain from the exchange of capital assets according to the Schedule D (Form 1040) instructions for your tax return. Be sure to use the date of the exchange as the date for reporting the gain. If the installment method applies to this exchange, see section 453(f)(6) to determine the installment sale income taxable for this year and report it on Form 6252.

Line 24. If line 19 is a loss, enter it on line 24. Otherwise, subtract the amount on line 23 from the amount on line 19 and enter the result. For exchanges with related parties, see [Line 7](#), earlier.

Figuring amounts for lines 21 through 24. See the following example for figuring the amounts to enter on lines 21 through 24.

Example. In addition to the facts in the example for lines 15 through 20, assume that Taylor previously allocated a portion of the basis in Taylor's apartment building for depreciation purposes under section 168 to assets that are section 1245 property. Applying section 1.1031(a)-3 of the regulations, Taylor determines that the

section 1245 real property assets have a FMV of \$55,000, a cost basis of \$35,000, and an adjusted basis of zero. The section 1245 property is real property for section 1031 like-kind exchange treatment. The total depreciation allowed or allowable on the section 1245 property is \$35,000. All of the property Taylor received from Finley is section 1250 property. The section 1245(a)(1) ordinary income recapture amount is \$35,000 (the lesser of the property's depreciable basis of \$35,000 or the amount realized of \$55,000).

Summary of Facts

	Taylor Property	Finley Property
FMV - Real Property	\$220,000	\$250,000
Adjusted Basis Real Property	\$100,000	\$175,000
FMV - 1245 Real Property	\$55,000	\$0
Basis - 1245 Property	\$35,000	\$0
Adjusted Basis - 1245 Property	\$0	\$0
FMV - 1250 Property	\$165,000	\$250,000
Mortgage Boot	\$80,000	\$150,000
Cash Boot	\$0	\$40,000

Taylor enters \$35,000 on line 21 as ordinary income under the section 1245(b)(4) recapture rules, the lesser of the \$35,000 of section 1245(a)(1) ordinary income recapture or the Line 20 gain of \$40,000 plus the FMV of non-section 1245 property acquired of \$250,000, which is \$290,000. Taylor subtracts line 21 from line 20 and enters \$5,000 on line 22. Taylor enters the sum of lines 21 and 22, \$40,000, on line 23. Taylor subtracts line 23 from line 19 and enters the deferred gain on the exchange, \$80,000, on line 24.

Alternatively, assume that Taylor's section 1245 assets had a basis and allowed or allowable depreciation of \$50,000 instead of \$35,000. The section 1245(a)(1) ordinary income recapture amount is \$50,000 (the lesser of the property's depreciable basis of \$50,000, or the amount realized of \$55,000). Taylor enters the lesser of the \$50,000 section 1245(a)(1) ordinary income recapture, or \$290,000 (the gain recognized of \$40,000 plus the \$250,000 FMV of non-section 1245 property received) on line 21, as ordinary income of \$50,000. Taylor subtracts line 21 from line 20 and enters \$0 on line 22. Taylor enters the sum of lines 21 and 22, \$50,000, on line 23. Taylor subtracts line 23 from line 19 and enters the deferred gain on the exchange, \$70,000, on line 24.

Section 1245(b)(4) recapture is the lesser of:

1. \$50,000 (Section 1245(a)(1) recapture on Taylor's Property), or
2. \$290,000, which is the total of 2a and 2b below
 - 2a. \$40,000 (Gain Recognized)
 - 2b. \$250,000 (FMV non-section 1245 property received).

Assume that Finley previously allocated \$50,000 of the basis in Finley's apartment building to section 1250 qualified improvement property and determines that the section 1250 assets have a fair market value of \$50,000 and adjusted basis of zero. The total depreciation that would have been allowable on the straight-line method for the section 1250 property is \$15,000, so the excess \$35,000 in depreciation taken over the straight-line depreciation is Finley's section 1250(a)(1)(A) recapture amount. Finley computes the section 1250(d)(4)(A) recapture limit as the greater of the gain recognized on line 20 of \$30,000, and \$0 (the section 1250(a)(1)(A) recapture amount of \$35,000 less the FMV of section 1250 property received of \$165,000). Finley enters \$30,000 on line 21 as ordinary income, the lesser of the \$35,000 of section 1250(a)(1)(A) recapture or the section 1250(d)(4)(A) recapture limit of \$30,000. Finley subtracts line 21 from line 20 and enters \$0 on line 22. Finley enters \$30,000 on line 23, the sum of lines 21 and 22. Finley subtracts line 23 from line 19 and enters the deferred gain on the exchange, \$45,000, on line 24.

Section 1250 recapture is the lesser of:

1. \$35,000 (Section 1250(a)(1)(A) recapture on Finley's property), or
2. \$30,000 (Section 1250(d)(4)(A) recapture limit, which is the greater of 2a or 2b below).
 - 2a. \$30,000 (Gain recognized on the exchange), or
 - 2b. \$0: (\$35,000 (Section 1250(a)(1)(A) recapture) reduced, but not below zero, by \$165,000 (FMV Section 1250 property received)).

Lines 25, 25a, 25b, and 25c. The amount on line 25 is your basis in the like-kind property you received in the exchange. Your basis in other property (non-like-kind) received in the exchange, if any, is its FMV.

Lines 25a, 25b, and 25c. If you received section 1250 property, section 1245 property, and/or intangible property that is like-kind property in the exchange, you must complete line 25a, 25b, and/or 25c, whichever are applicable.

- On line 25a, enter the amount from line 25 that is allocated to the like-kind section 1250 property received in the exchange.
- On line 25b, enter the amount from line 25 that is allocated to the like-kind section 1245 property received in the exchange.
- On line 25c, enter the amount from line 25 that is allocated to the like-kind intangible property received in the exchange.

Amounts entered on lines 25a, 25b, and 25c must be proportionate to their FMVs.



Beginning with 2024 Form 8824, e-filers will not attach a separate sheet to their Form 8824 with the information for lines 12a, 15a, and 25a through 25c. Those lines are now on their e-filed Form 8824 and should be completed on the form itself.

Example. Referring to the facts in the examples for lines 15 through 24, Taylor determines the apartment building received from Finley contains only like-kind section 1250 property and no section 1245 property and no intangible property treated as section 1031 like-kind property.

Summary of Facts

	Taylor Property	Finley Property
FMV - 1250 Real Property	\$165,000	\$250,000
FMV - 1245 Real Property	\$55,000	\$0
Basis - 1245 Property	\$35,000	\$0
Adjusted Basis - 1245 Property	\$0	\$0
Mortgage Boot	\$80,000	\$150,000
Cash Boot	\$0	\$40,000

Taylor subtracts line 15 from the sum of lines 18 and 23 and enters \$170,000 on line 25. Taylor allocates the entire \$170,000 to the basis of the like-kind section 1250 property received in the exchange. Taylor completes a Form 8824. Taylor reports the \$170,000 on line 25a. See Regulations sections 1.1245-5(a)(1) and 1.1250-3(d)(4).

Like Taylor, Finley also files a Form 8824. Finley determines that the apartment building received from Taylor with an FMV of \$220,000 contains like-kind section 1245 property with an FMV of \$55,000, and like-kind section 1250 property with an FMV of \$165,000. Finley enters \$175,000 on line 25, the sum of lines 18 and 23 less line 15. Finley allocates \$131,250 ($\$165,000/\$220,000 \times \$175,000$) from line 25 to the basis of the like-kind section 1250 property received in the exchange. Finley allocates \$43,750 ($\$55,000/\$220,000 \times \$175,000$) from line 25 to the basis of the like-kind section 1245 property received in the exchange. Finley reports \$131,250 as the amount for line 25a and \$43,750 as the amount for line 25b. As noted in the above example, Finley's remaining \$5,000 in potential section 1250 depreciation recapture attaches to the apartment building received by Finley from Taylor, and \$5,000 of any gain recognized on the subsequent sale of this property is recognized as ordinary income.

Section 1043 Conflict-of-Interest Sales (Part IV)

If you, as an eligible person, sell property at a gain according to a certificate of divestiture issued by the Office of Government Ethics (OGE) or the Judicial Conference of the United States (or its designee) and purchase replacement property (permitted property), you can elect to defer part or all of the realized gain. You must recognize gain on the sale only to the extent that the amount realized on the sale is more than the cost of replacement property purchased during the 60-day period beginning on the date of such sale. (You must also recognize any ordinary income recapture.) Permitted property is any obligation of the United States or any diversified investment fund approved by the OGE. "Eligible persons" includes an officer or employee of the executive branch, or a judicial officer of the federal government, but not a special government employee defined in 18 U.S.C. section 202. "Eligible persons" also includes any spouse, minor, or dependent child whose ownership of any property is attributable to such an officer or employee.



If the property you sold was stock you acquired by exercising a statutory stock option, you may be treated as meeting the holding period requirements that apply to such stock, regardless of how long you actually held the stock. This may benefit you if you don't defer your entire gain, because it may allow you to treat the gain as a capital gain instead of ordinary income. For details, see section 421(d) or Pub. 525, Taxable and Nontaxable Income.

Complete Part IV of Form 8824 only if the cost of the replacement property is more than the basis of the divested property and you elect to defer the gain. Otherwise, report the sale on your Schedule D (Form 1040) or Form 4797, whichever applies.

Your basis in the replacement property is reduced by the amount of the deferred gain. If you made more than one purchase of replacement property, reduce your basis in the replacement property in the order you acquired it.

Line 30. Enter the amount you received from the sale of the divested property, minus any selling expenses.

Line 35. Follow these steps to determine the amount to enter.

1. Use Part III of Form 4797 as a worksheet to figure ordinary income under the recapture rules.
2. Enter on Form 8824, line 35, the amount from Form 4797, line 31. Don't attach the Form 4797 used as a worksheet to your tax return.
3. Report the amount from line 35 on Form 4797, line 10, in column (g). In column (a), enter "From Form 8824, line 35." Don't complete columns (b) through (f).

Line 36. If you sold a capital asset, enter any capital gain from line 36 on your Schedule D (Form 1040). If you sold property used in a trade or business (or any other asset for which the gain is treated as ordinary income), report the gain on Form 4797, line 2 or line 10, in column (g). In column (a), write "From Form 8824, line 36." Don't complete columns (b) through (f). If you held a qualified investment in a QOF at any time during the year, you must file your tax return with Form 8997 attached. See the Form 8997 instructions.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

Recordkeeping	11 hr., 43 min.
Learning about the law or the form	2 hr., 34 min.
Preparing the form	2 hr., 53 min.