

A yellow double-headed arrow with the text "1031x.com" in black, centered within the arrow.The word "Newsletter" in a bold, yellow, sans-serif font, positioned in the top right corner of the header banner.

Toll Free 888-899-1031  
Fax 303-715-1012

[infox@1031x.net](mailto:infox@1031x.net)

*Thought you'd find this helpful:*

## Non-Taxable Cash Back in a 1031 Exchange?

When performing an exchange we are frequently asked the following question:

*Can I receive some non-taxable cash from the sale of my property? After all I put cash down when I bought it, I paid down the principal on my mortgage and, I paid cash to improve it while I owned it, can't I receive at least my down payment, principal reduction or capital improvements back in tax free cash?*

The simplest answer to this question is NO. If cash is received from the disposition of property, gain will be recognized regardless of the amount of your down payment, regardless of the amount of your equity, and regardless of the improvements you have made to the property during your ownership. Internal Revenue Code Section 1031 allows for the non-recognition of gain when properties of "like-kind" are exchanged. Section 1031(b) labels other things of value received in an exchange as "boot." "Boot" simply means everything of value other than "like-kind" property which you receive during an exchange. Since you are exchanging like-kind real property, any cash that you receive would be considered as "boot." It would be taxable to the extent of gain "realized".

While this provision seems "unfair" to certain people with whom we discuss this issue, it is an accurate statement of the law.

If structured correctly an exchange can provide the "exchanger" with limited amounts of cash on which the "exchanger" pays the tax while the remainder of the funds are used to acquire the "replacement" like-kind property. Care must be taken regarding the time and manner in which the "exchanger" is provided with the taxable cash or the entire exchange may fail.

Contact us for further strategies to meet your present needs for cash while maximizing your non-recognition of gain.

Please call [www.1031x.com](http://www.1031x.com) at 888-899-1031 or email [infox@1031x.net](mailto:infox@1031x.net) for a free consultation!