



Newsletter

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Thought you'd find this helpful:

Failed Exchanges May Have Some Deferral Value

The end of the year brings into play a little known tax regulation under Section 1031. The regulation allows you to defer tax liability for one year even though a 1031 exchange has failed. The general rule is that when a 1031x fails it must be reported on the tax return for the year in which the relinquished property sells. Therefore, an exchange started in 2003 must be reported on a 2003 tax return. There is one exception. An exchange started in 2003, (but not completed by the end of 2003) can be reported in 2004 if the exchange then fails. The gain can be reported in the tax year in which it failed (2004), rather than in the year it was begun (2003). To reiterate, the gain from an exchange started in one calendar year and still open at the end of the tax year which then fails in the next tax year can be reported in the tax year in which the exchange fails instead of in the year in which the exchange was begun. This rule can allow an exchanger to defer tax liability for a full year even if a 1031x fails.

Please call www.1031x.com at 888-899-1031 or email infox@1031x.net for a free consultation!