



Newsletter

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Thought you'd find this helpful:

All Real Estate is Like-Kind to All Other Real Estate

Section 1031 requires that investment property be exchanged "solely for property of like-kind." Most real estate professionals are aware that the definition of "like-kind" has been given a broad interpretation when it comes to real estate investments. The general rule is that all real estate will be treated as "like-kind" to all other real estate. (This is not true for exchanges of tangible personal property which must be in the same industrial class to be considered "like-kind")

The IRS does not define what is real estate. Instead, the IRS will look at State Law to determine whether an asset is real estate. Here are some examples of just how wide the definition of "like-kind" real estate has been drawn:

- a. Water rights which under some state laws (including Colorado) are defined as real estate and can be exchanged for a fee interest in real estate. Rev. Rul. 55-749.
- b. A leasehold interest in a producing oil lease extending until the exhaustion of the deposit can be exchanged for a ranch. Rev. Rul. 68-331.
- c. An easement granted to a utility company can be exchanged for an apartment building. Rev. Rul. 72-549.
- d. An agricultural conservation easement can be exchanged for a fee interest in a farm. LTR-RUL 9851039.

The breadth of the definition of "like-kind" as applied to real estate investments creates vast opportunity for the investor to change the shape of their investment. Use this tool to your advantage.

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