



1031x.com

Newsletter

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Thought you'd find this helpful:

Defer Gain On Owner Will Carry by Combining With 1031 Exchange

We are sometimes asked to perform an 1031 exchange only to find that the seller has already agreed to "carry back" part of the purchase price in the form of a 2nd note and deed of trust. These exchanges raise some unique tax issues. IRC sections 1031 and 453 (Installment sales) work in tandem. (See newsletter entitled: Owner Carry Financing Devalues 1031 Exchange). In essence, it is possible to include an owner carry back note in the tax deferred treatment of section 1031.

At least three possibilities exist:

1. Have the note payable to the QI instead of the seller; QI sells note to a third person and uses the cash to buy replacement property within 180 days.
2. Have the note payable to the QI; QI sells the note to the seller for cash and uses the cash to buy the replacement property within 180 days. Seller would then have a cost basis in the note and only the interest payments would be taxable.
3. The seller borrows funds from a third party lender. The seller then lends these funds to the buyer of the relinquished property, taking a mortgage on the relinquished property as security. The buyer uses these funds to purchase the relinquished property and the exchange becomes an all cash exchange. QI only holds cash.

Please feel free to contact us. 1031 exchanges are our business.

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

