



1031x.com

Newsletter

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*Thought you'd find this helpful:*

## Owner Carry Financing Devalues 1031 Exchange

We are often asked, "Can an investor selling an income property carry back part of the sales price and still do an exchange?" The answer is yes but at a cost. This is best explained by example. For instance, the investor sells a property for \$250K, agreeing to carry back \$50K for the purchaser. The investor can do a 1031 exchange on the remaining \$200K. (Tax will be deferred on \$200K under Section 1031). The investor will receive installment sales treatment under IRC Section 453 on the \$50K owner carry. Tax would be owed under Section 453 on the owner carry as the money was received. Naturally, as the owner carry back portion of the sales price increases the recognized (taxable) gain will also increase and the tax deferred portion (under 1031) will decrease. We generally recommend that investors not agree to carry back financing when also performing a 1031 exchange.

Call or email us prior to agreeing to carry back financing, and we can suggest some creative alternatives.

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