

1031

THE

EXCHANGE COMPANY, LLC

VACATION HOMES AND THE 1031 EXCHANGE

A vacation home can qualify as relinquished or replacement property in a 1031 exchange if it is held for investment or business use. Personal use is limited and must comply with the IRS rules.



IT MUST BE AN INVESTMENT PROPERTY

- The property must be held for investment or productive use in a trade or business.
- Personal use is limited and must be minimal.



PERSONAL USE LIMITATIONS

Personal use must be limited to:

- 14 days or less per year, or
- 10% or less of the total days the property is rented at fair market value, whichever is greater.



RENTAL AT FAIR MARKET VALUE

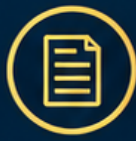
- To qualify, the property must be rented to third parties at fair market value. Use by family members is considered personal use.



DISQUALIFYING FACTORS

A vacation home generally will not qualify if:

- It is primarily for personal use.
- It is used predominantly by you, your family or friends.
- It is not rented at fair market value.



THE NORMAL 1031 RULES APPLY

- Identify the replacement property within 45 days.
- Acquire the replacement property within 180 days.
- Use a Qualified Intermediary.
- The property must be like-kind and held for investment or business use.



POTENTIAL BENEFITS

- Defer capital gains and depreciation recapture taxes.
- Build a diversified real estate portfolio, including vacation-rental properties.



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1031 EXCHANGE KNOWLEDGE FOR MAXIMUM TAX DEFERRAL.

EXPERIENCE. KNOWLEDGE. CONFIDENCE.