

1031 THE

— EXCHANGE COMPANY, LLC —

VACATION HOMES AND THE 1031 EXCHANGE

A vacation home can qualify as 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 CAN QUALIFY

A vacation home may be eligible as replacement property if it is held for investment or used in a trade or business and not primarily for personal use.



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 real estate portfolio, including vacation rental properties



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1031 EXCHANGE KNOWLEDGE FOR MAXIMUM TAX DEFERRAL.