



# 1031 EXCHANGE

## Spanning 2 Tax Years



### EXCHANGE period

A 1031 Exchange started after July 5th, will span two tax years if the full 180 day period is utilized. Under the rules the gains for any or all of the unused exchange funds, can be reported as part of the tax filing for the subsequent year.



### FULL 180 days

The 1031 Exchange period is 180 days or the due date of the Exchanger's Tax Return, whichever comes first.



### EXCHANGE start

A 1031 Exchange started on or after October 18, 2023 will not receive the full 180-day Exchange Period without an extension being filed by the Exchanger.



### FORM 4868

You must file a Form 4868 to receive a full 6-month extension on filing your tax return, which will allow you the full 180-days to complete your 1031 Exchange. NOTE: the extension does not provide you an additional 6-month to complete your 1031 Exchange.



### INSTALLMENT SALE

For unused exchange funds in a 1031 Exchange spanning two years, you can decide whether to report the gain in the year of the sale or the year you receive your exchange proceeds back per Section 453. Choosing Installment Sale Rules would provide you a one-year deferral on the gains.



### FORM 6252

You must file a Form 6252 for Installment Sale Rule, which is the default reporting for a failed 1031 Exchange. NOTE: Section 453 rules are very specific, and do not apply to all sales.

Exchangers are strongly encouraged to discuss these concepts, and overall 1031 Exchange activity, with their tax and/or legal advisors.

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