Theresa Knower: The 1031 Exchange

The Strategy in 60 Seconds

Sell an investment property and that tax bill is not automatic. Here's exactly how a 1031 exchange defers it - two deadlines and one worked number - in sixty seconds.

$37,600

Tax deferred on a $200,000 gain at 18.8%

Three moves you cannot miss

- **QI hired before closing - No intermediary, no exchange**
- **45 days to identify - In writing, to your QI**
- **180 days to close - Clocks run together, no extensions**

More than capital gains

- Federal capital gains
- Depreciation recapture
- 3.8% NIIT
- State capital gains tax
- Basis carries forward

Deferred, not forgiven

The Law Behind It (primary sources)

Verify against the source before relying. This is education, not legal or tax advice.

26 U.S.C. Sec. 1031 - Exchange of real property held for productive use or investment (the deferral itself; real property only since 2018).

https://www.law.cornell.edu/uscode/text/26/1031

26 U.S.C. Sec. 1031(a)(3) - The 45-day identification window and 180-day exchange window.

https://www.law.cornell.edu/uscode/text/26/1031

26 CFR Sec. 1.1031(k)-1 - Deferred exchange rules - qualified intermediary, identification, and timing requirements.

https://www.law.cornell.edu/cfr/text/26/1.1031(k)-1