

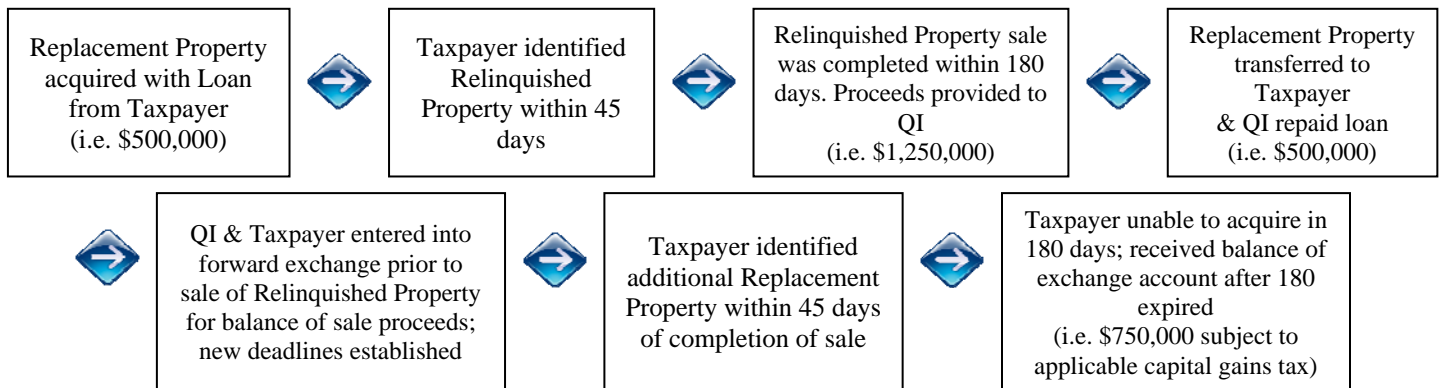
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Combination of Reverse & Forward Exchange Given IRS Approval

Chief Counsel Advice (CCA) 200836024 issued by the IRS approved the taxpayer's utilization of both a reverse and forward exchange to meet investment requirements from the sale of relinquished property. This provided the taxpayer a 360-day window to complete an exchange, and the ruling appears to provide approval of combined exchange arrangements. **The facts of CCA 20836024:**

Day 1

Day 180




Day 360

In this case, if the taxpayer had been able to acquire the additional identified Replacement Property, all taxes due on capital gains may have been deferred. It is also important to remember that the full 360 days would be available (1) if the reverse exchange required the full 180 days to complete the sale of the relinquished property, and (2) if purchasing the additional identified replacement properties in the forward exchange required the full 180-day exchange period.

The conclusion of CCA 200836024 was that statutory and regulatory guidelines were followed (time limitations were met, avoidance of constructive receipt, etc.) and the taxpayer stayed within the administrative guidelines of Rev.Proc. 2000-37. The capital gain realized on the reverse exchange was deferred under §1031, and the gain on the forward exchange became taxable once the forward exchange failed.

It appears these combination exchanges will gain IRS approval; however each Taxpayer should review their particular facts and circumstances with tax counsel prior to structuring the exchange. Taxpayers/investors may find the use of combined exchange transactions very beneficial in meeting their investment goals particularly given the real estate bargains available in the current marketplace.

"The ladder of success is best climbed by stepping on the rungs of opportunity."
~~Ayn Rand 

Interview the Accommodator

"Can I have access to my money if I need it – and when I need it?"

Access to exchange funds is dependent upon 1031 regulations. Funds, kept in liquid accounts, are always available to acquire identified and documented replacement property. Distribution of exchange funds to the Taxpayer can be accomplished on (1) the 46th day after the sale of the relinquished property if no replacement property is identified, (2) after the 45th day following the sale of the relinquished property once all identified replacement property has been acquired, or (3) the remaining balance of funds held would be disbursed to the Taxpayer on the 181st day after the sale of the relinquished property.