

Covid-19 1031 Exchange FAQs

Pandemic 1031 Extensions

During these unusual times, we have been receiving many 1031 Exchange related inquiries from our IPX1031 community. We are always available to answer questions! Below are some of the most popular:

PANDEMIC 1031 EXTENSIONS

The following information is based on a "plain language" reading of IRS Notice 2020-23. It is important for you to discuss with your tax advisor how it applies to your specific situation.

Do I qualify for COVID-19 extensions? If you are in a current exchange and either your original 45 or 180 day deadline falls between April 1 and July 15, 2020, that 1031 deadline has been extended to July 15, 2020. Notice 2020-23, is unlike previous Disaster Relief Notices that have been issued by the IRS and as a result, many tax professionals have questions concerning its guidance. Numerous real estate organizations have asked the IRS for clarification.

What does the COVID-19 extension mean if I am contemplating starting an exchange? If you begin an exchange before May 31st, according to Notice 2020-23, your 45 day identification period deadline would be extended to July 15th. This gives you a little more time to identify properties and make changes to any previous identifications, if needed.

What does the COVID-19 extension mean if I already have begun my 1031 Exchange?

- If your exchange began between February 16 and May 31, 2020, Notice 2020-23 extends your 45 day identification period until July 15, 2020.
- If your exchange began between October 4, 2019 and January 17, 2020, Notice 2020-23 extends your 180 day deadline until July 15, 2020.

Are the COVID-19 extensions automatic or do I need to complete additional paperwork? You do not need to request or apply for the extensions if your exchange qualifies for the deadline extension. There are no extension forms or paperwork that needs to be completed.

If I decide not to complete my exchange and want to get my money back from the qualified intermediary and pay taxes, do I now have to wait until July 15th? The current extension granted on April 9, 2020 is automatic. Be sure to check with your tax advisor for their interpretation of how Notice 2020-23 applies to your situation.

Will there be a further extensions granted? It is unknown. The situation that COVID-19 has caused is unprecedented and prior disaster extensions related to natural disasters such as tornadoes, hurricanes, wildfires, etc.

If additional extensions are granted, will I need to complete additional documents to qualify? If additional extensions are granted, we hope they would contain specific information relating to qualification requirements. Be sure to speak to your tax advisor about your individual situation before cancelling your exchange (by requesting return of your funds).

How likely is the IRS to reissue new extensions more in keeping with the traditional 120 day extensions we have seen in the past? It is not known but it is one of the items real estate organizations requested in the letter sent to the US Treasury Department.

Will there be any more updates to the extensions granted? What and when will further information by the Treasury/IRS be released? We, along with our trade association, the Federation of Exchange Accommodators (FEA), have requested additional extensions and clarification of Notice 2020-23. As soon as we know more, we will pass that along. Please be sure to sign up for COVID-19 news on our website so you can stay informed.

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To discuss 1031 tax deferral strategy, please reach out to IPX1031. IPX1031 focuses solely on 1031 Tax Deferred Like Kind Exchanges. As the national leader in 1031 Exchange services, IPX1031 has the financial assurances, security and expertise essentials to protect your funds and provide answers and guidance throughout the exchange process.

IPX1031
888.771.1031
info@ipx1031.com

For more info:
www.ipx1031.com/1031-online-resource/