

# Shorter Time Periods for End of Year 1031 Exchanges



*When 180 Days are NOT 180 Days for 1031 Exchanges*

*1031 Insight December 2022*

After closing on a Relinquished (old) Property, taxpayers typically have 45 days to identify new property and 180 days to complete the purchase for a successful 1031 Exchange. However, for exchanges started between October 18, 2022 and December 31, 2022, the timeline to complete the exchange is shortened.

Many do not realize that the Tax Code states the new Replacement Property must be purchased by the earlier of two possible dates:

- 180 days after the date the Relinquished Property is transferred in the exchange, OR
- The due date of the taxpayer's return for the taxable year in which the Relinquished Property is transferred.



What this means is that a taxpayer who sold real estate and began a 1031 Exchange after October 18, 2022 must close on the new Replacement Property by the due date of their 2022 tax return, which is April 17, 2023.

For example, an investor who sells a 1031 property on December 12, 2022, must identify new Replacement Property by January 26, 2023 (45-day ID rule) and then, most believe, close on Replacement Property by June 10, 2023 (180-day closing rule). However, Section 1031 (a)(3)(B) shortens this exchange period. The investor must close by April 17, 2023 – 53 calendar days before the assumed 180 days date. To get the full 180-day period, the taxpayer must file a tax extension for their entire tax return. If the investor extends their tax filing, they will then have until June 10, 2023, to close on the property – the full 180 days.

Be sure to consult your tax advisor regarding your tax filing requirement dates.

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