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Alternative Structures for Section 1031 Exchanges

WRITTEN BY

Aresh Homayoun

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With the recovery of the real estate sector from the carnage of the Great Recession, the desire to avoid tax on gain realized in dispositions of appreciated real estate has brought renewed vigor to the 1031 exchange market. In addition to traditional direct exchanges, interests in a tenancy in common (TIC) and a Delaware Statutory Trust (DST) can also be used as like-kind property for purposes of section 1031. A lesser-known strategy, but one that has been available for many decades, allows a taxpayer to defer taxes on the sale of property by first contributing the property to a deferred sales trust. Finally, a "swap and drop" permits reinvestment into a fractional interest in a diversified real estate portfolio.

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