

About this strategy

You can exchange certain real property for another property that's the same type, or "like-kind," without recognizing a taxable gain for the transaction. To qualify for a like-kind exchange, the real property you give up must be used for business or held for investment, and the property you receive must be of a similar nature and character. Properties can still be like-kind if they differ in quality, like an apartment building that hasn't been updated and an apartment building that was recently remodeled. If you receive any money or other property that's not like-kind in the exchange, you'll recognize a gain only for the non like-kind assets.

Strategy requirements

This strategy can only be implemented if the prior year return includes real properties listed under depreciation. To utilize this strategy, verify there is real property listed on the prior year return.

Verify that the taxpayer desires to acquire a new piece of real property and identify if the taxpayer already has a similar property that could be used in a like-kind exchange.

Taxpayer this applies to

Businesses that have real property needs and own like-kind property.

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