

# Like-Kind Exchanges

(and nonrecognition of gain from conflict-of-interest sales)

▶ Attach to your tax return.

Name(s) shown on tax return

Identifying number

## Part I Information on the Like-Kind Exchange

**Note:** If the property described on line 1 or line 2 is real or personal property located outside the United States, indicate the country.

- 1 Description of like-kind property given up ▶ .....
- 2 Description of like-kind property received ▶ .....
- 3 Date like-kind property given up was originally acquired (month, day, year) . . . . . 

3	/	/
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- 4 Date you actually transferred your property to other party (month, day, year) . . . . . 

4	/	/
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- 5 Date like-kind property you received was identified (month, day, year). See instructions . . . . . 

5	/	/
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- 6 Date you actually received the like-kind property from other party (month, day, year) . . . . . 

6	/	/
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- 7 Was the exchange made with a related party? If "Yes," complete Part II. If "No," go to Part III. See instructions.  
  - a  Yes, in this tax year    b  Yes, in a prior tax year    c  No

## Part II Related Party Exchange Information

- 8 Name of related party Related party's identifying number

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- Address (no., street, and apt., room, or suite no.)

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- City or town, state, and ZIP code Relationship to you

- 9 During this tax year (and before the date that is 2 years after the last transfer of property that was part of the exchange), did the related party sell or dispose of the like-kind property received from you in the exchange?  Yes  No
- 10 During this tax year (and before the date that is 2 years after the last transfer of property that was part of the exchange), did you sell or dispose of the like-kind property you received? . . . . .  Yes  No

If both lines 9 and 10 are "No" and this is the year of the exchange, go to Part III. If both lines 9 and 10 are "No" and this is **not** the year of the exchange, stop here. If either line 9 or line 10 is "Yes," complete Part III and report on this year's tax return the deferred gain or (loss) from line 24 **unless** one of the exceptions on line 11 applies. See **Related party exchanges** in the instructions.

- 11 If one of the exceptions below applies to the disposition, check the applicable box:
  - a  The disposition was after the death of either of the related parties.
  - b  The disposition was an involuntary conversion, and the threat of conversion occurred after the exchange.
  - c  You can establish to the satisfaction of the IRS that neither the exchange nor the disposition had tax avoidance as its principal purpose. If this box is checked, attach an explanation. See instructions.

## Part III Realized Gain or (Loss), Recognized Gain, and Basis of Like-Kind Property Received

**Caution:** If you transferred **and** received (a) more than one group of like-kind properties, or (b) cash or other (not like-kind) property, see **Reporting of multi-asset exchanges** in the instructions.

**Note:** Complete lines 12 through 14 **only** if you gave up property that was not like-kind. Otherwise, go to line 15.

12 Fair market value (FMV) of other property given up . . . . .	12		
13 Adjusted basis of other property given up . . . . .	13		
14 Gain or (loss) recognized on other property given up. Subtract line 13 from line 12. Report the gain or (loss) in the same manner as if the exchange had been a sale . . . . .	14		
15 Cash received, FMV of other property received, plus net liabilities assumed by other party, reduced (but not below zero) by any exchange expenses you incurred. See instructions . . . . .	15		
16 FMV of like-kind property you received . . . . .	16		
17 Add lines 15 and 16 . . . . .	17		
18 Adjusted basis of like-kind property you gave up, net amounts paid to other party, plus any exchange expenses <b>not</b> used on line 15. See instructions . . . . .	18		
19 <b>Realized gain or (loss).</b> Subtract line 18 from line 17 . . . . .	19		
20 Enter the smaller of line 15 or line 19, but not less than zero . . . . .	20		
21 Ordinary income under recapture rules. Enter here and on Form 4797, line 16. See instructions . . . . .	21		
22 Subtract line 21 from line 20. If zero or less, enter -0-. If more than zero, enter here and on Schedule D or Form 4797, unless the installment method applies. See instructions . . . . .	22		
23 <b>Recognized gain.</b> Add lines 21 and 22 . . . . .	23		
24 Deferred gain or (loss). Subtract line 23 from line 19. If a related party exchange, see instructions . . . . .	24		
25 <b>Basis of like-kind property received.</b> Subtract line 15 from the sum of lines 18 and 23 . . . . .	25		

Name(s) shown on tax return. Do not enter name and social security number if shown on other side.

Your social security number

**Part IV Section 1043 Conflict-of-Interest Sales.** See instructions. Attach a copy of your certificate of divestiture.

**Note:** This part is to be used **only** by officers or employees of the executive branch of the Federal Government for reporting nonrecognition of gain under section 1043 on the sale of property to comply with the conflict-of-interest requirements. This part can be used only if the cost of the replacement property exceeds the basis of the divested property.

26	Description of divested property ▶			
27	Description of replacement property ▶			
28	Date divested property was sold (month, day, year)			28 / /
29	Sales price of divested property. See instructions	29		
30	Basis of divested property	30		
31	<b>Realized gain.</b> Subtract line 30 from line 29			31
32	Cost of replacement property purchased within 60 days after date of sale	32		
33	Subtract line 32 from line 29. If zero or less, enter -0-			
34	Ordinary income under recapture rules. Enter here and on Form 4797, line 10. See instructions			34
35	Subtract line 34 from line 33. If zero or less, enter -0-. If more than zero, enter here and on Schedule D or Form 4797. See instructions			35
36	<b>Recognized gain.</b> Add lines 34 and 35			36
37	Deferred gain. Subtract line 36 from line 31			37
38	<b>Basis of replacement property.</b> Subtract line 37 from line 32			38

**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form

displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Internal Revenue Code section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The

estimated average time is: **Recordkeeping**, 1 hr., 38 min.; **Learning about the law or the form**, 25 min.; **Preparing the form**, 59 min.; **Copying, assembling, and sending the form to the IRS**, 33 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

### Purpose of Form

Use Parts I, II, and III of Form 8824 to report the exchange of business or investment property for property of a like kind (section 1031). Use Part IV to report the nonrecognition of gain from conflict-of-interest sales by certain members of the executive branch of the Federal Government (section 1043).

For more information on like-kind exchanges, see section 1031 and its regulations and **Pub. 544**, Sales and Other Dispositions of Assets.

**Multiple exchanges.** If you made more than one like-kind exchange, you may report each exchange on a separate Form 8824. Or, you may file only one summary Form 8824 and attach your own statement showing all the information requested on Form 8824 for each exchange. Include your name and identifying number at the top of each page of the statement. On the summary Form 8824, enter **only** your name and identifying number, "Summary" on line 1, the total recognized gain from all exchanges on line 23, and the total basis of all like-kind property received on line 25.

### When To File

If during the current tax year you transferred property to another party in a like-kind exchange, you must file Form 8824. Also file Form 8824 for the 2 years following the year of a related party exchange (see **Related party exchanges** on this page).

### Like-Kind Exchanges

Generally, if you exchange business or investment property solely for business or investment property of a like kind, no gain or loss is recognized under section 1031. If, as part of the exchange, you also receive other (not like-kind) property or money, gain is recognized to the extent of the other property and money received, but a loss is not recognized.

Section 1031 does not apply to exchanges of inventory, stocks, bonds, notes, other securities or evidence of indebtedness, or certain other assets. See section 1031(a)(2).

**Like-kind property.** Properties are of like kind if they are of the same nature or character, even if they differ in grade or quality. Personal properties of a like class are like-kind properties. However, livestock of different sexes are not like-kind properties. Also, personal property used predominantly in the United States and personal property used predominantly outside the United States are **not** like-kind properties. See **Pub. 544** for more details.

Real properties generally are of like kind, regardless of whether the properties are improved or unimproved. However, real property in the United States and real property outside the United States are **not** like-kind properties.

**Deferred exchanges.** A deferred exchange occurs when the property **received** in the exchange is not received at the same time as the transfer of the property **given up**. For a deferred exchange to qualify as like-kind, you must:

- Identify the replacement property you receive no later than 45 days after the date you transferred the property given up, **and**
- Receive the new property by the earlier of (a) 180 days after the date you transferred the property given up or (b) the due date (including extensions) of your tax return for the year in which you transferred the property given up.

You identify replacement property by notifying, in writing, another party to the exchange (other than a related party) of your selection of the property. Identification may also be made in a written agreement for the exchange of properties.

See Rev. Proc. 2000-37, 2000-40 I.R.B. 308, for special rules that apply to property held in a qualified exchange accommodation arrangement (QEAA).

**Multi-asset exchanges.** A multi-asset exchange involves the transfer and receipt of more than one group of like-kind properties. For example, an exchange of land, vehicles, and cash for land and vehicles is a multi-asset exchange. An exchange of land, vehicles, and cash for land only is not a multi-asset exchange. The transfer or receipt of multiple properties within one like-kind group is also a multi-asset exchange.

Special rules apply when figuring the amount of gain recognized and your basis in properties received in a multi-asset exchange. For details, see Regulations section 1.1031(j)-1.

**Reporting of multi-asset exchanges.** If you transferred **and** received (a) more than one group of like-kind properties or (b) cash or other (not like-kind) property, **do not** complete lines 12 through 18 of Form 8824. Instead, attach your own statement showing how you figured the realized and recognized gain, and enter the correct amount on lines 19 through 25. Report any recognized gains on **Schedule D, Form 4797**, Sales of Business Property, or **Form 6252**, Installment Sale Income, whichever applies.

**Related party exchanges.** Special rules apply to like-kind exchanges made with related parties. A **related party** includes your spouse, child, grandchild, parent, brother, or sister; or a related corporation, S corporation, partnership, or trust. See section 1031(f).

If either you or the related party disposes of property received in an exchange before the date that is 2 years after the last transfer of property from the exchange, the deferred gain or (loss) from line 24 must be reported on your return for the year of disposition (unless an exception on line 11 applies).

If you are filing this form for 1 of the 2 years following the year of the exchange, complete Parts I and II. If both lines 9 and 10 are "No," **stop**. If either line 9 or line 10 is "Yes" and an exception on line 11 applies, check the applicable box on line 11 and **stop**. If no line 11 exceptions apply, complete Part III. Report the deferred gain or (loss) from line 24 on this year's tax return as if the exchange had been a sale.

An exchange structured to avoid related party rules is **not** a like-kind exchange. See section 1031(f)(4).

## Specific Instructions

**Lines 1 and 2.** For real property, enter the address and type of property. For personal property, enter a short description. For property located outside the United States, include the country.

**Line 5.** See **Deferred exchanges** on this page.

**Line 7.** See **Related party exchanges** on this page.

**Line 11c.** If you believe that you can establish to the satisfaction of the IRS that tax avoidance was **not** a principal purpose of both the exchange and the disposition, attach an explanation. See **Pub. 537**, Installment Sales, for exceptions where tax avoidance is not a principal purpose.

**Lines 12, 13, and 14.** If you gave up other property in addition to the like-kind property, enter the fair market value (FMV) and the adjusted basis of the other property on lines 12 and 13, respectively.

The gain or (loss) from this property is figured on line 14 and must be reported on your return. Report gain or (loss) as if the exchange were a sale.

**Line 15.** Include on line 15 the **sum** of the following:

- Any cash paid to you by the other party,
- The FMV of other (not like-kind) property you received, if any, **and**
- Net liabilities assumed by the other party—the **excess**, if any, of liabilities (including mortgages) **assumed** (see page 4) by the other party **over the total** of (a) any liabilities you assumed, (b) cash you paid to the other party, and (c) the FMV of the other (not like-kind) property you gave up.

Reduce the sum of the above amounts (but not below zero) by any exchange expenses you incurred. See the example below.

The following rules apply in determining the amount of liability treated as **assumed**.

- A recourse liability (or portion thereof) is treated as assumed by the party receiving the property if that party has agreed to and is expected to satisfy the liability (or portion thereof). It does not matter whether the party transferring the property has been relieved of the liability.
- A nonrecourse liability generally is treated as assumed by the party receiving the property subject to the liability. However, if an owner of other assets subject to the same liability agrees with the party receiving the property to, and is expected to, satisfy part or all of the liability, the amount treated as assumed is reduced by the **smaller** of (a) the amount of the liability that the owner of the other assets has agreed to and is expected to satisfy or (b) the FMV of those other assets.

**Line 18.** Include on line 18 the **sum** of the following:

- The adjusted basis of the like-kind property you gave up,
- Exchange expenses, if any (except for expenses used to reduce the amount reported on line 15), **and**
- Net amount paid to the other party—the **excess**, if any, of the **total** of (a) any liabilities you assumed, (b) cash you paid to the other party, and (c) the FMV of the other (not like-kind) property you gave up **over** any liabilities assumed by the other party.

See Regulations section 1.1031(d)-2 and the following example for figuring amounts to enter on lines 15 and 18.

**Example.** A owns an apartment house with an FMV of \$220,000, an adjusted basis of \$100,000, and subject to a mortgage of \$80,000. B owns an apartment house with an FMV of \$250,000, an adjusted basis of \$175,000, and subject to a mortgage of \$150,000.

A transfers his apartment house to B and receives in exchange B's apartment house plus \$40,000 cash. A assumes the mortgage on the apartment house received from B, and B assumes the mortgage on the apartment house received from A.

A enters on line 15 only the \$40,000 cash received from B. The \$80,000 of liabilities assumed by B is not included because it does not exceed the \$150,000 of liabilities A assumed. A enters \$170,000 on line 18—the \$100,000 adjusted basis, plus the \$70,000 excess of the liabilities A assumed over the liabilities assumed by B (\$150,000 - \$80,000).

B enters \$30,000 on line 15—the excess of the \$150,000 of liabilities assumed by A over the total (\$120,000) of the \$80,000 of liabilities B assumed and the \$40,000 cash B paid. B enters on line 18 only the adjusted basis of \$175,000 because the total of the \$80,000 of liabilities B assumed and the \$40,000 cash B paid does not exceed the \$150,000 of liabilities assumed by A.

**Line 21.** If you disposed of section 1245, 1250, 1252, 1254, or 1255 property (see the instructions for Part III of Form 4797), you may be required to recapture as ordinary income part or all of the realized gain (line 19). Figure the amount to enter on line 21 as follows:

- For **section 1245** property, enter the **smaller** of (a) the total adjustments for deductions (whether for the same or other property) allowed or allowable to you or any other person for depreciation or amortization (up to the amount of the gain shown on line 19) or (b) any gain shown on line 20 **plus** the FMV of non-section 1245 like-kind property acquired.
- For **section 1250** property, enter the **larger** of (a) the **excess**, if any, of the gain you would have had to report as ordinary income because of additional depreciation (see the Form 4797 instructions for line 26) if you had sold the property **over** the FMV of the section 1250 property acquired or (b) any gain shown on line 20.
- The rules for **section 1252, 1254, and 1255** property are similar to those for section 1245 property. See Regulations section 1.1252-2(d) and Temporary Regulations section 16A.1255-2(c) for details. If the installment method applies to this exchange:

1. See section 453(f)(6) to determine the installment sale income taxable for this year and report it on Form 6252.
2. Enter on Form 6252, line 25 or 36, the section 1252, 1254, or 1255 recapture amount you figured on Form 8824, line 21. Do not enter more than the amount shown on Form 6252, line 24 or 35.
3. Also, enter this amount on Form 4797, line 15.
4. If all the ordinary income is not recaptured this year, report in future years on Form 6252 the ordinary income up to the taxable installment sale income, until it is all reported.

**Line 22.** Report a gain from the exchange of property used in a trade or business (and other noncapital assets) on Form 4797, line 5 or 16. Report a gain from the exchange of capital assets according to the Schedule D instructions for your return. Be sure to use the date of the exchange as the date for reporting the gain. If the installment method applies to this exchange, see section 453(f)(6) to

determine the installment sale income taxable for this year and report it on Form 6252.

**Line 24.** If line 19 is a loss, enter it on line 24. Otherwise, subtract the amount on line 23 from the amount on line 19 and enter the result. For exchanges with related parties, see **Related party exchanges** on page 3.

**Line 25.** The amount on line 25 is your basis in the like-kind property you received in the exchange. Your basis in other property received in the exchange, if any, is its FMV.

## Section 1043 Conflict-of-Interest Sales (Part IV)

If you sell property at a gain according to a certificate of divestiture issued by the Office of Government Ethics (OGE), you may elect to recognize gain on the sale only to the extent that the amount realized on the sale exceeds the cost of replacement property (permitted property) purchased within 60 days after the sale. **Permitted property** is any obligation of the United States or any diversified investment fund approved by the OGE.

Complete Part IV of Form 8824 only if the cost of the replacement property exceeds the basis of the divested property. Otherwise, report the gain on Schedule D or Form 4797, whichever applies.

Your basis in the replacement property is reduced by the amount of the gain not recognized. If you made more than one purchase of replacement property, reduce your basis in the replacement property in the order it was acquired.

**Line 29.** Enter the amount you received from the sale of the divested property, minus any selling expenses.

**Line 34.** Follow these steps to determine the amount to enter.

1. Use Part III of Form 4797 as a worksheet to figure ordinary income under the recapture rules.
2. Enter on Form 8824, line 34, the amount from Form 4797, line 31. **Do not** attach the Form 4797 used as a worksheet to your return.

3. Report the amount from line 34 on Form 4797, line 10, column (g). In column (a), write "From Form 8824, line 34." **Do not** complete columns (b) through (f).

**Line 35.** If you sold a capital asset, enter any gain from line 35 on Schedule D. If you sold property used in a trade or business (or any other noncapital asset), report the gain on Form 4797, line 2 or 10, column (g). In column (a), write "From Form 8824, line 35." **Do not** complete columns (b) through (f).

