

Combination 1031 Exchanges

The Power of Flexibility

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Mark and Mary are selling their apartment building and are excited to make a substantial gain. Their CPA recommended structuring the sale as a 1031 Exchange in order to defer their taxes. They plan on using their gains to diversify their portfolio and purchase three new properties. However, one of the new properties is scheduled to close before they can close on the sale of their apartment building. Will their scenario still qualify as a 1031 Exchange?

A [Combination 1031 Exchange](#) (also called Combo Exchange or Mixed Exchange) that utilizes both a Reverse 1031 Exchange and a Delayed 1031 Exchange may be an effective solution for these situations.

A [Reverse 1031 Exchange](#) (also called Parking Transaction) is an exchange in which the Replacement Property (new) is acquired before the Relinquished Property (existing) is sold. Though the old property is sold after the new property has been purchased, a taxpayer can still claim tax deferral on the profits from the sale. This type of exchange can be particularly useful when the investor has identified a Replacement Property that they do not want to lose, but do not, as yet, have a buyer for their existing property. A Delayed (also called Forward) 1031 Exchange, on the other hand, is the most frequently used 1031 Exchange where the Relinquished Property is sold first and the Replacement Property is acquired within 180 days.

By combining these two types of exchanges, investors will gain more flexibility and control over their 1031 Exchange transactions, and take advantage of market opportunities lessening the pressure of strict timelines.

If an investor intends to acquire multiple Replacement Properties with some properties closing before the Relinquished Property sale and some properties closing after, combining both the Forward/Delayed and Reverse Exchange structures can maximize the tax deferral. For example, an investor may elect to utilize a Reverse 1031 Exchange to acquire a Replacement Property while they are still searching for a buyer for their Relinquished Property. Then, they could sell their Relinquished Property and complete their Reverse Exchange and use the additional proceeds to complete a Delayed 1031 Exchange for additional Replacement Property(s).

Let's assume that you own a \$3M Retail property that you will be listing this summer. In the meantime, however, you locate a \$2M tri-plex that is a good fit for your investment goals. It is possible to close the tri-plex as a part of a Reverse 1031 Exchange, then sell the \$3M retail property and then set-up a Delayed Exchange with the remaining \$1M to purchase yet another property in your 1031 Exchange.

When structuring a Combination 1031 Exchange, it's important to work with experienced professionals who can help navigate the complexities of these transactions. At IPX1031, we have a team of experts in our specialized 1031 Reverse and Improvement Exchange division who will work with your tax/legal professionals to provide strategy and guidance regarding structuring a successful Combo Exchange.

IPX1031. Your Combination 1031 Solution.

IPX1031 is your Combination 1031 solution with offices and teams across the country. IPX1031 is the largest most established 1031 Qualified Intermediary in the United States. As a wholly owned subsidiary of Fidelity National Financial (NYSE:FNF), a Fortune 500 company, IPX1031 provides industry leading security for your exchange funds as well as considerable expertise and experience in facilitating all types of 1031 Exchanges. For more information about 1031 Exchanges, our company, our complimentary 1031 Exchange webinars, or to [initiate an exchange](#), visit our website at www.ipx1031.com or email or call today.

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