Section 1031 Proposed Regulations

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Objectives

- Proposed Regulations add definition of real property
  - Role that state law classification plays
  - Unexpected additions
  - Uncertainty remains

Objectives

- Incidental Property Rule
  - Helpful in certain cases but not others
  - Trap for the unwary

History of Like Kind Exchanges Under Section 1031

- Section 1031 first enacted in 1921
- Modified in TCJA 2017 to limit like-kind exchange (LKE) treatment to real property interests as of January 1, 2018

History of Like Kind Exchanges Under Section 1031

- Proposed Regulations published on 6/12/2020 are intended to provide guidance in two areas:
  - Amend existing regulations to add a definition of real property to reflect TJCA statutory changes

History of Like Kind Exchanges Under Section 1031

  - Provide a rule addressing use of relinquished property funds to acquire personal property that is incidental to the real property that the taxpayer receives in the LKE