

April 10, 2020

IRS Extends Deadlines for 1031 Like-Kind Exchanges

Real Estate

Tax Planning & Structuring

The IRS yesterday announced some relief for taxpayers currently engaged in a 1031 like-kind exchange, most notably that any 45-day or 180-day deadline that occurs between April 1 and July 14 is extended to July 15, 2020. The announcement was part of a more expansive IRS notice issued in response to the economic upheaval caused by the COVID-19 pandemic and following several other deadline postponements for tax payment and filings.

One of the relief provisions in [IRS Notice 2020-23](#) (an update to Notice 2020-18) states that for those engaged in a 1031 exchange, if the taxpayer's 45-day identification period or 180-day exchange period deadline falls between April 1, 2020, and July 14, 2020, the deadline is automatically extended to July 15, 2020.

Likewise, for taxpayers engaged in reverse exchanges, if the 45-day period to identify relinquished property or 180-day period to un-park replacement property falls between April 1, 2020, and July 14, 2020, the deadline is automatically extended to July 15, 2020.

To illustrate, below are two examples of the current extension:

- **Example 1:** Exchange began April 1, 2020. The 45-day identification period ends May 16, 2020, but is now extended to July 15, 2020. The 180-day exchange period ends Sept. 28, 2020, and is NOT extended because it falls after the last day of the disaster period (July 15).
- **Example 2:** Exchange began Dec 31, 2019. The 45-day identification period ends Feb. 14, 2020, and is NOT extended because it falls before the first day of the disaster period (April 1). The 180-day exchange period ends June 28, 2020, but is now extended to July 15, 2020.

Real estate investors can use 1031 like-kind exchanges to sell one asset, find a similarly valued property to buy with the proceeds within 45 days and then close on it within 180 days. By doing a 1031 like-kind exchange, those investors can avoid paying any capital gains taxes on the sale.

We are continuing to review the notice and will provide any clarification and/or changes that the IRS issues.