

**Ask****The Professional****REAL ESTATE**

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Q Can I purchase replacement property to complete my like kind exchange before I sell my old property and still defer the gain?

A Yes. What you are describing is a “reverse exchange”. To accomplish this, you must employ the services of an Exchange Accommodation Titleholder (EAT). The contract to buy is assigned to an EAT pursuant to a “Qualified Exchange Accommodation Agreement”. The EAT buys the property (with money loaned by you or a lender) and agrees to lease it back to you on a ‘net lease’ basis. When the old property is sold, the EAT transfers the replacement property to you and satisfies its obligation with the proceeds from the sale.

To qualify for the IRS’ “safe harbor rules” you must identify the old property within 45 days, and sell it within 180 days. Exchanges outside of this safe harbor can be done, but are subject to closer IRS scrutiny.

Ask a question, get Free advice!

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