

## REAL ESTATE



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### **O** Will my vacation home qualify for a tax deferred exchange?

- A** The answer is “maybe”. The IRS has recently issued “safe harbor” guidance for exchanges occurring on or after March 10, 2008. Relinquished and replacement property must be owned at least 24 months **prior** and **after** the exchange, respectively. In addition, both the replacement and relinquished properties must, in each of these two 12 month periods;
- a) Be rented to another party at a fair market rental rate for 14 days or more, **AND**
  - b) The taxpayer’s personal use of each dwelling must not exceed the greater of:
    - 1) 14 days **OR**
    - 2) 10 percent of the number of days the dwelling was rented

If a taxpayer filed a return reporting a transaction as a Section 1031 exchange expecting the replacement property to meet the above criteria, but later determines that it did not qualify, an amended return should be filed.