Instructions for Form 8824

Like-Kind Exchanges (and section 1043 conflict-of-interest sales)

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Future developments. For the latest information about developments related to Form 8824 and its instructions, such as legislation enacted after they were published, go to IRS.gov/Form8824.

Reminders

Special rules for capital gains invested in Qualified Opportunity Funds. Effective December 22, 2017, section 1400Z-2 provides a temporary deferral of inclusion in gross income for capital gains invested in Qualified Opportunity Funds, and permanent exclusion of capital gains from the sale or exchange of an investment in the Qualified Opportunity Fund if the investment is held for at least 10 years. See the Form 8949 instructions on how to report your election to defer eligible gains invested in a Qualified Opportunity Fund. For additional information, please see Opportunity Zones Frequently Asked Questions.

Exchanges limited to real property.

Beginning after December 31, 2017, section 1031 like-kind exchange treatment applies only to exchanges of real property held for use in a trade or business or for investment, other than real property held primarily for sale. See Definition of real property, later, for more details. Before the law change, section 1031 also applied to certain exchanges of personal or intangible property. A transition rule in the new law provides that section 1031 will still apply to a qualifying exchange of personal or intangible property if the taxpayer disposed of the exchanged property on or before December 31, 2017.

Qualified Opportunity Investment. If you held a qualified investment in a qualified opportunity fund (QOF) at any time during the year, you must file your return with Form 8997, Initial and Annual Statement of Qualified Opportunity Fund (QOF) Investments, attached. See the Form 8997 instructions.

Purpose of Form

Use Parts I, II, and III of Form 8824 to report each exchange of business or investment real property for real property of a like kind. Form 8824 figures the amount of gain deferred as a result of a like-kind exchange. Part III computes the amount of gain required to be reported on the tax return in the current year if cash or property that isn’t of a like kind is involved in the exchange. Also, the basis of the like-kind property received is figured on Form 8824.

Certain members of the executive branch of the federal government and judicial officers of the federal government use Part IV to elect to defer gain on conflict-of-interest sales. Judicial officers of the federal government are the following.

2. Associate Justices of the Supreme Court.
3. Judges of the:
   a. United States courts of appeals;
   b. United States district courts, including the district courts in Guam, the Northern Mariana Islands, and the Virgin Islands;
   c. Court of Appeals for the Federal Circuit;
   d. Court of International Trade;
   e. Tax Court;
   f. Court of Federal Claims;
   g. Court of Appeals for Veterans Claims;
   h. United States Court of Appeals for the Armed Forces; and
   i. Any court created by an Act of Congress, the judges of which are entitled to hold office during good behavior.

Multiple exchanges. If you made more than one like-kind exchange, you can file a summary on one Form 8824 and attach your own statement showing all the information requested on Form 8824 for each exchange. Include your name and identifying number at the top of each page of the statement. On the summary Form 8824, enter only your name and identifying number, “Summary” on line 1, the total recognized gain from all exchanges on line 23, and the total basis of all like-kind property received on line 25.

When To File

If during the current tax year you transferred property to another party in a like-kind exchange, you must file Form 8824 with your tax return for that year. Also file Form 8824 for the 2 years following the year of a related party exchange. See the instructions for Line 7, later, for details.

Like-Kind Exchanges

Generally, if you exchange business or investment real property solely for business or investment real property of a like kind, section 1031 provides that no gain or loss is recognized. If, as part of the exchange, you also receive other (not like-kind) property or money, gain is recognized to the extent of the other property and money received, but a loss isn’t recognized.

Section 1031 doesn’t apply to exchanges of real property held primarily for sale. See section 1031(a)(2). In addition, section 1031 doesn’t apply to certain exchanges involving tax-exempt use property subject to a lease. See section 470(e)(4).

Definition of real property. Property is real property for purposes of section 1031 if:
• On the date it is transferred in an exchange, the property is classified as real property under the law of the state or local jurisdiction in which the property is located, subject to the exceptions provided below;
• The property is specifically listed as real property in Regulations section 1.1031(a)-3; or
• The property is considered real property based on all the facts and circumstances under the various factors provided in Regulations section 1.1031(a)-3.

However, the following assets are exceptions and not real property for purposes of section 1031, regardless of the classification of the property under state or local law.
• Stock (other than the type of stock described in Stock that is real property below), bonds, or notes.
• Other securities or evidences of indebtedness or interest.
• Interests in a partnership (other than an interest in a partnership that has in effect a charitable trust under section 4947(a)(12)).
• Shares in a mutual ditch, reservoir, or irrigation company described in section 501(c)(12)(A) if, at the time of the exchange, such shares have been recognized by the highest court of the state in which the company was organized, or by a state statute, as constituting or representing real property or an interest in real property.

Stock that is real property. The following stock is listed in Regulations section 1.1031(a)-3 as real property for section 1031 purposes.
• Stock in a cooperative housing corporation.
• Shares in a mutual ditch, reservoir, or irrigation company described in section 501(c)(12)(A) if, at the time of the exchange, such shares have been recognized by the highest court of the state in which the company was organized, or by a state statute, as constituting or representing real property or an interest in real property.

Like-kind property. Properties are of like kind if they are of the same nature or character, even if they differ in grade or quality.

Generally, real properties are like-kind properties, regardless of whether they are
improved or unimproved. However, real property in the United States and real property outside the United States aren’t like-kind properties. See Pub. 544, Sales and Other Dispositions of Assets, for more details.

Deferred exchanges. A deferred exchange occurs when the property received in the exchange is received after the transfer of the property given up. For a deferred exchange to qualify as like kind, you must comply with the timing requirements for identification and receipt of replacement property. The replacement property for the exchange must be identified within 45 days after the property being given up is transferred. The replacement property must be received within 180 days, or by the due date of the tax return including extensions, whichever is earlier. See the instructions for Line 5 and Line 6, later, for more details.

If you make a deferred exchange using a qualified intermediary (QI), the transfer of the property given up and receipt of like-kind property is treated as a like-kind exchange. If you fail to meet the timing requirements because of the QI, your transaction won’t qualify as a deferred exchange and any gain may be taxable in the year you transferred the property. However, if the QI defaults on its obligation to acquire and transfer replacement property, you may be able to report the gain in the year or years payments are received. For the requirements, see Rev. Proc. 2010-14, 2010-12 I.R.B. 456, available at IRS.gov/irb/2010-12_IRB/ar07.html.

Multi-asset exchanges. A multi-asset exchange involves the transfer and receipt of more than one group of like-kind properties. The transfer or receipt of multiple properties within one like-kind group is also a multi-asset exchange. However, an exchange of a single piece of land, a vehicle, and cash for a single piece of land and a vehicle is not a multi-asset exchange because of bankruptcy or receivership proceedings and you meet certain requirements, you may be able to report the gain in the year or years payments are received. For the requirements, see Rev. Proc. 2010-14, 2010-12 I.R.B. 456, available at IRS.gov/irb/2010-12_IRB/ar07.html.

Reporting of multi-asset exchanges. If you transferred and received (a) more than one group of like-kind properties or (b) cash or other (not like-kind) property, don’t complete lines 12 through 18 of Form 8824. Instead, attach your own statement showing how you figured the realized and recognized gain, and enter the correct amount on lines 19 through 25. Report any recognized gains on your Schedule D; Form 4797, Sales of Business Property; or Form 6252, Installment Sale Income, whichever applies.

Exchanges using a qualified exchange accommodation arrangement (QEAA). If property is transferred to an exchange accommodation titleholder (EAT) and held in a QEAA, the EAT may be treated as the beneficial owner of the property, the property transferred from the EAT to you may be treated as property you received in an exchange, and the property you transferred to the EAT may be treated as property you gave up in an exchange. This may be true even if the property you are to receive is transferred to the EAT before you transfer the property you are giving up. However, the property transferred to you can’t be treated as property received in an exchange if you previously owned it within 180 days of its transfer to the EAT. For details, see Rev. Proc. 2000-37, as modified by Rev. Proc. 2004-51. Rev. Proc. 2000-37 is on page 308 of Internal Revenue Bulletin 2000-40 at IRS.gov/pub/irs-irb/irb00-40.pdf, Rev. Proc. 2004-51, 2004-33 I.R.B. 294, is available at IRS.gov/irb/2004-33_IRB/ar13.html.

Property used as home. If the property given up was owned and used as your home for at least a total of 2 years during the 5-year period ending on the date of the exchange, you may be able to exclude part or all of any gain figured on Form 8824. For details on the exclusion of gain (including how to figure the amount of the exclusion), see Pub. 523, Selling Your Home. Fill out Form 8824 according to its instructions, with these exceptions:

1. Subtract line 18 from line 17. Enter that result on line 19. On the dotted line next to line 19, enter "Section 121 exclusion" and the amount of the exclusion.
2. On line 20, enter the smaller of:
   a. Line 15 minus the exclusion, or
   b. Line 19.
   Don’t enter less than zero.
3. Subtract line 15 from the sum of lines 18 and 23. Add the amount of your exclusion to the result. Enter that sum on line 25.


Additional information. For more information on like-kind exchanges, see section 1031 and its regulations and Pub. 544.

Specific Instructions

Lines 1 and 2. Generally, only real property should be described on line 1 and 2. However, you may describe personal property transferred prior to January 1, 2018, as part of an exchange subject to the like-kind exchange transition rule described in the instructions, and/or real property on line 1 and 2, if you are filing this form to report the disposition of property exchanged in a previously reported related party like-kind exchange. If the property described on line 1 or line 2 is real or personal property located outside the United States, indicate the country.

Line 5. Enter on line 5 the date of the written identification of the like-kind property you received in a deferred exchange. To comply with the 45-day written identification requirement, the following conditions must be met.

1. The like-kind property you receive in a deferred exchange is designated in writing as replacement property either in a document you signed or in a written agreement signed by all parties to the exchange.
2. The document or agreement describes the replacement property in a clear and recognizable manner. Real property should be described using a legal description, street address, or distinguishable name (for example, “Mayfair Apartment Building”).
3. No later than 45 days after the date you transferred the property you gave up:
   a. You send, fax, or hand deliver the document you signed to the person required to transfer the replacement property to you (including a disqualified person) or to another person involved in the exchange (other than a disqualified person); or
   b. All parties to the exchange sign the written agreement designating the replacement property.

Note. If you received the replacement property before the end of the 45-day period, you are automatically treated as having met the 45-day written identification requirement. In this case, enter on line 5 the date you received the replacement property.

Line 6. Enter on line 6 the date you received the like-kind property from the other party.

The property must be received by the earlier of the following dates:
1. The 180th day after the date you transferred the property given up in the exchange.
Line 7. Special rules apply to like-kind exchanges made with related parties, either directly or indirectly. A related party includes your spouse, child, grandchild, parent, grandparent, brother, or a related corporation, S corporation, partnership, trust, estate, or tax-exempt organization. See section 1031(f).

An exchange made indirectly with a related party includes:

• An exchange made with a related party through an intermediary (such as a QI or an EAT, as defined in Pub. 544); or

• An exchange made by a disregarded entity (such as a single-member limited liability company) if you or a related party owned that entity.

An exchange structured to avoid the related party rules isn’t a like-kind exchange. Don’t report it on Form 8824. Instead, you should report the disposition of the property given up as if the exchange had been a sale. See section 1031(f)(4). Such an exchange includes the transfer of property you gave up to a QI in exchange for property you received that was formerly owned by a related party if the related party received cash or other (not like-kind) property for the property you received, and you used the QI intermediary to avoid the application of the related party rules. See Rev. Rul. 2002-83 for more details. You can find Rev. Rul. 2002-83 on page 927 of Internal Revenue Bulletin 2002-49 at IRS.gov/pub/irs-irbs/irb02-49.pdf.

Example. A owns an apartment house with an FMV of $220,000, an adjusted basis of $100,000, and subject to a mortgage of $80,000. B owns an apartment house with an FMV of $250,000, an adjusted basis of $175,000, and subject to a mortgage of $150,000.

A transfers his apartment house to B. A and B agree that the FMV of the apartment house is $300,000. A is a like-kind exchange because the FMV of the property transferred is greater than the adjusted basis of the property received. B is a like-kind exchange because the FMV of the property received is greater than the adjusted basis of the property transferred. A's exchange is a like-kind exchange because the FMV of the property transferred is greater than the adjusted basis of the property received. B's exchange is a like-kind exchange because the FMV of the property received is greater than the adjusted basis of the property transferred.

If you or the related party (either directly or indirectly) dispose of property received in an exchange before the date that is 2 years after the last transfer which was part of the exchange, the deferred gain or (loss) from line 24 must be reported on your return for the year of disposition (unless an exception on line 11 applies). If you are filing this form for 1 of the 2 exceptions on line 11 applies, instead, report the disposition of the property given up as if the exchange had been a sale.
property are similar to those for section 1245 property. See Regulations sections 1.1252-2(d) and 1.1254-2(d) and Temporary Regulations section 16A.1255-2(c) for details. If the installment method applies to this exchange:

1. See section 453(f)(6) to determine the installment sale income taxable for this year and report it on Form 6252;
2. Enter on Form 6252, line 25 or 36, the section 1252, 1254, or 1255 recapture amount you figured on Form 8824, line 21 – don’t enter more than the amount shown on Form 6252, line 24 or 35;
3. Also enter this amount on Form 4797, line 15; and
4. If all the ordinary income isn’t recaptured this year, report in future years on Form 6252 the ordinary income up to the taxable installment sale income, until it is all reported.

**Line 22.** Report a gain from the exchange of property used in a trade or business (and other noncapital assets) on Form 4797, line 5 or line 16. Report a gain from the exchange of capital assets according to the Schedule D instructions for your return. Be sure to use the date of the exchange as the date for reporting the gain. If the installment method applies to this exchange, see section 453(f)(6) to determine the installment sale income taxable for this year and report it on Form 6252.

**Line 24.** If line 19 is a loss, enter it on line 24. Otherwise, subtract the amount on line 23 from the amount on line 19 and enter the result. For exchanges with related parties, see the instructions for **Line 7,** earlier.

**Line 25.** The amount on line 25 is your basis in the like-kind property you received in the exchange. Your basis in other property received in the exchange, if any, is its FMV.

### Section 1043
#### Conflict-of-Interest Sales (Part IV)
If you sell property at a gain according to a certificate of divestiture issued by the Office of Government Ethics (OGE) or the Judicial Conference of the United States (or its designee) and purchase replacement property (permitted property), you can elect to defer part or all of the realized gain. You must recognize gain on the sale only to the extent that the amount realized on the sale is more than the cost of replacement property purchased within 60 days after the sale. (You must also recognize any ordinary income recapture.) Permitted property is any obligation of the United States or any diversified investment fund approved by the OGE.

**If the property you sold was stock you acquired by exercising a statutory stock option, you may be treated as meeting the holding periods that apply to such stock, regardless of how long you actually held the stock. This may benefit you if you don’t defer your entire gain, because it may allow you to treat the gain as a capital gain instead of ordinary income. For details, see section 421(d) or Pub. 525, Taxable and Nontaxable Income.**

Complete Part IV of Form 8824 only if the cost of the replacement property is more than the basis of the divested property and you elect to defer the gain. Otherwise, report the sale on your Schedule D or Form 4797, whichever applies.

Your basis in the replacement property is reduced by the amount of the deferred gain. If you made more than one purchase of replacement property, reduce your basis in the replacement property in the order you acquired it.

**Line 30.** Enter the amount you received from the sale of the divested property, minus any selling expenses.

**Line 35.** Follow these steps to determine the amount to enter.

1. Use Part III of Form 4797 as a worksheet to figure ordinary income under the recapture rules.
2. Enter on Form 8824, line 35, the amount from Form 4797, line 31. Don’t attach the Form 4797 used as a worksheet to your return.
3. Report the amount from line 35 on Form 4797, line 10, column (g). In column (a), enter “From Form 8824, line 35.” Don’t complete columns (b) through (f).

**Line 36.** If you sold a capital asset, enter any capital gain from line 36 on your Schedule D. If you sold property used in a trade or business (or any other asset for which the gain is treated as ordinary income), report the gain on Form 4797, line 2 or line 10, column (g). In column (a), enter Form 8824, line 36. Don’t complete columns (b) through (f). If you held a qualified investment in a qualified opportunity fund (QOF) at any time during the year, you must file your return with Form 8997, Initial and Annual Statement of Qualified Opportunity Fund (QOF) Investments, attached. See the Form 8997 instructions.

**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

**Recordkeeping** 10 hr., 16 min.
**Learning about the law or the form** 1 hr., 59 min.
**Preparing the form** 2 hr., 14 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.