2026

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.

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*.

What's New

End of statutory deferral period for qualified opportunity funds (QOFs). Effective December 22, 2017, section 1400Z-2 had introduced a temporary deferral of inclusion in gross income for capital gains invested in QOFs. Because the deferral period for QOF interests purchased before 2027 ends on December 31, 2026, a taxpayer should not have any QOF investments with deferred gains as of December 31, 2026. See the Instructions for Form 8949, Sales and Other Dispositions of Capital Assets; and the Instructions for Form 8997, Initial and Annual Statement of Qualified Opportunity Fund (QOF) Investments.

Reminders

Write-in space available for e-filed Form 8824. If you exchanged real property that is also subject to exclusion of gain under section 121 whether you are filing your Form 8824 electronically or on paper, there is a space on line 19 for you to write "Section 121 exclusion" and the amount of the exclusion, if needed. Don't reduce line 19 by the amount of the exclusion. See *Line 19* and *Property Used as Home*, later.

Line 25b. If like-kind section 1252, 1254, or 1255 property was received as part of the exchange, include the basis of those properties on line 25b. See *Lines 25a, 25b, and 25c*, later.

Treatment of capital gains from the sale or exchange of qualified farmland property. Section 70437 of Public Law 119-21, commonly known as the One Big Beautiful Bill Act (OBBBA), added Internal Revenue Code section 1062 allowing taxpayers to elect to defer the net income tax attributable to the gain on the sale or exchange of qualified farmland property to a qualified farmer during the tax year. Effective for tax years beginning after July 4, 2025, at the election of the taxpayer, certain exchanges may qualify for special treatment. For applicable restrictions, see section 1062(d)(2)(A)(ii). See also Form 1062, Deferral of Payment of Tax on Gain From the Sale or Exchange of Qualified Farmland Property to Qualified Farmers; Schedule A (Form 1062), Section 1062 Gain From the Sale or Exchange of Qualified Farmland Property to a Qualified Farmer; and the Form 1062 and Schedule A instructions.

Exchanges limited to real property. For 2018 and later years, 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. Regulations sections 1.1031(a)-1, 1.1031(a)-3, and 1.1031(k)-1 provide a definition of real property under section 1031, address a taxpayer's receipt of personal property incidental to the like-kind real property received, and apply to like-kind exchanges after December 2, 2020. See *Definition of Real Property*, later, for more details.

General 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. Use Part III to figure 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, use Part III to figure the basis of the like-kind property received.

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.

1. Chief Justice of the United States.
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 in the appropriate boxes above Part I, "Summary" on line 1, the total recognized gain from all exchanges on line 23, the total basis of all like-kind property received on line 25, and the applicable portions of the line 25 total on lines 25a, 25b, and 25c.

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 *Line 7*, later, for details.

Like-Kind Exchanges (Form 8824: Parts I, II, and III)

Section 1031 regulations. Regulations sections 1.1031(a)-1, 1.1031(a)-3, and 1.1031(k)-1 implement statutory changes limiting the application of section 1031 to exchanges of real property. These regulations, which apply to like-kind exchanges beginning after December 2, 2020, provide a definition of real property under section 1031, and address a taxpayer's receipt of personal property

that is incidental to real property the taxpayer receives in the exchange.

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 (non-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).

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 properties.

Property classified as real property under one of the definitions in the final regulations discussed above may be like kind to other real property defined under another definition in the regulations.

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.

Definition of Real Property

Regulations section 1.1031(a)-3 defines real property as land and improvements to land, unsevered natural products of land, and water and air space superjacent to land. It is further described as tangible and intangible real property, as discussed later.

Tangible property. Tangible property is real property for purposes of section 1031 if it meets any of the following.

- 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. See Regulations section 1.1031(a)-3(a)(6) and *Intangible property* next.
- The property is specifically listed as real property in Regulations section 1.1031(a)-3. See *Stock that is real property*, later.
- 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(a)(2). See *Property affixed to or integrated into real property*, later.

Each distinct asset is separately analyzed from any other distinct asset to which it relates for purposes of determining whether the asset is real property under section 1031. See Regulations section 1.1031(a)-3(a)(4).

Intangible property. Intangible property is real property for purposes of section 1031 if it meets any of the following, subject to the exceptions provided in *Intangible property that is never real property under section 1031* next.

- 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.
- It is specifically listed in Regulations section 1.1031(a)-3 as real property.
- It derives its value from real property or an interest in real property and is inseparable from that real property or interest in real property (for example, an easement or an option to acquire real property). See Regulations section 1.1031(a)-3(a)(5).

Intangible property that is never real property under section 1031. 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* next), 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 valid election under section 761(a) to be excluded from the application of all of subchapter K).
- Certificates of trust or beneficial interests.
- Choses in action.

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.

Property affixed to or integrated into real property. If tangible property is permanently affixed to real property and will ordinarily remain affixed for an indefinite period of time, the property is generally an inherently permanent structure and real property for section 1031 purposes, regardless of the use or purpose of the property or whether it contributes to the production of income. In addition, a structural component is real property for section 1031 purposes if it is a constituent part of, and integrated into, an inherently permanent structure, regardless of whether the structural component contributes to the production of income. For example, items of machinery or equipment are real property for like-kind exchange purposes if they comprise an inherently permanent structure, a structural component of an inherently permanent structure, or are classified as real property under state or local law.

Deferred Exchanges

A deferred exchange occurs when, based on an agreement, the property received in the exchange is received within a limited timeframe after the transfer of the property given up. For real property associated with 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 your tax return (including extensions), whichever is earlier. See *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 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 Revenue Procedure 2010-14, 2010-12 I.R.B. 456, available at *IRS.gov/irb/2010-12_IRB#RP-2010-14*. Related parties and agents of the taxpayer aren't eligible to be QIs, and are referred to as "disqualified persons." For more information on QIs and disqualified persons, see Pub. 544, chapter 1.

Safe harbors. The QI exchange constitutes one safe harbor. For details on QI exchanges and for a discussion of other safe harbors, see Pub. 544.

Incidental personal property. For deferred like-kind exchanges involving a QI, personal property that is incidental to replacement real property (incidental personal property) is disregarded in determining whether a taxpayer's rights to receive, pledge, borrow, or otherwise obtain the benefits of money or non-like-kind property held by the QI are expressly limited, as provided in Regulations section 1.1031(k)-1(g)(6) and (7).

Personal property is incidental to real property acquired in an exchange if:

- In standard commercial transactions, the personal property is typically transferred together with the real property; and
- The aggregate fair market value (FMV) of the incidental personal property transferred with the real property doesn't exceed 15% of the aggregate FMV of the replacement real property or properties

received in the exchange (15% limitation). See Regulations section 1.1031(k)-1(g)(7).

Exchange with a related party. Special rules limit nonrecognition for an exchange with a related party. See *Line 7*, later.

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 isn't a multi-asset exchange because, of the assets transferred, section 1031 may apply only to the exchange of the land for other land. Special rules apply when figuring the amount of gain recognized and your basis in properties received in a multi-asset exchange. For details, see Regulations section 1.1031(j)-1.

Reporting of multi-asset exchanges. If you transferred and received (a) more than one group of like-kind properties, or (b) cash or other (non-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. Enter the applicable basis allocation for lines 25a, 25b, and 25c. Report any recognized gains on your Schedule D (Form 1040), Capital Gains and Losses; 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 Revenue Procedure 2000-37, as modified by Revenue Procedure 2004-51. Revenue Procedure 2000-37 is on page 308 of Internal Revenue Bulletin 2000-40 at *IRS.gov/pub/irs-irbs/irb00-40.pdf*. Revenue Procedure 2004-51, 2004-33 I.R.B. 294, is available at *IRS.gov/irb/2004-33_IRB#RP-2004-51*.

Property Used as Home

Section 1031 doesn't apply to your exchange of real property if the property you gave up was used solely as your personal residence at the time of the exchange. However, if the property you gave up was owned and used as your main home for at least a total of 2 years during the 5-year period ending on the date of the exchange, section 121 may allow you to exclude part or all of any gain figured on Form 8824. Section 121 doesn't require the property you gave up to be your principal residence on the sale or exchange date.

Revenue Procedure 2008-16 allows a safe harbor if certain requirements are met during the 2 years before and after the exchange. Revenue Procedure 2008-16 is effective for exchanges occurring on or after March 10, 2008, and is available at https://www.irs.gov/irb/2008-10_IRB#RP-2008-16.

For details on the section 121 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 the following exceptions.

1. Subtract line 18 from line 17. Enter that result on line 19. In the entry space on 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.

Report, on line 15a, a description of the other (non-like-kind) property received. If applicable, the total FMV reported on line 25 is further allocated on lines 25a, 25b, and 25c, based on section 1250 property, sections 1245, 1252, 1254, and 1255 property, or intangible real property received in the exchange, respectively.

Property used partly as home. If the property given up was used partly as a main home, and partly for business or investment, you will need to use two separate Forms 8824 as worksheets. Use one worksheet for the part of the property used as a main home, and the other worksheet for the part used for business or investment. Fill out only lines 15 through 25 of each worksheet Form 8824. On the worksheet Form 8824 for the part of the property used as a main home, follow steps 1 through 3 above, except that instead of following step 2, enter the amount from line 19 on line 20. On the worksheet Form 8824 for the part of the property used for business or investment, follow steps 1 through 3 above only if you can exclude at least part of any gain from the exchange of that part of the property; otherwise, complete the form according to its instructions. Enter the combined amounts from lines 15 through 25 of both worksheet Forms 8824 on the Form 8824 you file. Don't file either worksheet with Form 8824.

More information. For details, see Revenue Procedure 2005-14, 2005-7 I.R.B. 528, available at *IRS.gov/irb/2005-07_IRB#RP-2005-14*.

Additional Information

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

Specific Instructions

Lines 1 and 2. Generally, only real property should be described on lines 1 and 2, including intangible property that is treated as real property for like-kind exchange purposes. Enter the address and type of property. For property that is treated as real property for like-kind exchange purposes, but doesn't have an address, enter a short description. If the property described on line 1 or line 2 is real 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 fax, hand deliver, mail, or otherwise send 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.

Generally, a disqualified person is either your agent at the time of the transaction or a person related to you. For more details, see Regulations section 1.1031(k)-1(k). For more information on related persons, see *Line 7*, later. Also, see details on disqualified persons in Pub. 544.

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.

- The 180th day after the date you transferred the property given up in the exchange.
- The due date (including extensions) of your tax return for the year in which you transferred the property given up.

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, sister, 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 (non-like-kind) property for the property you received, and you used the QI to avoid the application of the related party rules. See Revenue Ruling 2002-83 for more details. You can find Revenue Ruling 2002-83 on page 927 of Internal Revenue Bulletin 2002-49 at *IRS.gov/pub/irs-irbs/irb02-49.pdf*.

If you meet one of the exceptions on line 11, and 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 that was part of the exchange, the deferred gain or (loss) from line 24 must be reported on your tax return for the year of disposition (unless an exception on Form 8824, line 11, applies).

If you are filing this form for 1 of the 2 years following the year of the exchange, complete Parts I and II. If both lines 9 and 10 are "No," **stop**. You don't have to complete Part III.

If either line 9 or line 10 is "Yes," and an exception on line 11 applies, check the applicable box on line 11, attach any required explanation, and **stop**. If none of the exceptions on line 11 apply, complete Part III. Report the deferred gain or (loss) from line 24 on this year's tax return as if the exchange had been a sale.

Replacement property previously owned by a related party. If, after the exchange, you own replacement property that a related party sold into the exchange for cash, or other (non-like-kind) property, through an unrelated party such as a QI, don't report the transaction on Form 8824 unless one of the exceptions on line 11 applies. Instead, report the disposition of the property given up as if the exchange had been a sale.

Tolling of holding period. The running of the 2-year holding period will be tolled for any period during which your risk of loss is substantially reduced. See *Two-year holding period* in Pub. 544.

Lines 11a through 11c. The line 11 exceptions are in Form 8824 on lines 11a through 11c. These are the exceptions.

- Line 11a. The disposition was after the death of either party.
- Line 11b. The disposition was an involuntary conversion, and the threat of conversion occurred after the exchange.
- Line 11c. You can establish to the satisfaction of the IRS that neither the disposition nor the exchange had tax avoidance as one of its principal purposes.

Line 11c. If you believe that you can establish to the satisfaction of the IRS that tax avoidance wasn't a principal purpose of both the exchange and the disposition, attach an explanation. Generally, tax avoidance won't be seen as a principal purpose in the case of:

- A disposition of property in a nonrecognition transaction,
- An exchange in which the related parties derive no tax advantage from the shifting of basis between the exchanged properties, or
- An exchange of undivided interests in different properties that results in each related party holding either the entire interest in a single property or a larger undivided interest in any of the properties.

Lines 12, 12a, 13, and 14. Lines 12 and 12a should be completed if other property that doesn't qualify as like-kind property was part of the exchange, in addition to the like-kind property. On line 12, enter the FMV of the other (non-like-kind) property that was given up.

Line 12a. On line 12a, enter a description of the other (non-like-kind) property given up.

Line 13. On line 13, enter the adjusted basis of the other property given up.

Line 14. The gain or (loss) from the other property given up is figured on line 14 and must be reported on your tax return. Report gain or (loss) as if the exchange were a sale.

Lines 15 and 15a. Include on line 15 the sum of:

- Any cash paid to you by the other party;
- The FMV of other (non-like-kind) property you received, if any; and
- Net liabilities assumed by the other party—the excess, if any, of liabilities (including mortgages) assumed by the other party over the total of (a) any liabilities you assumed, (b) cash you paid to the other party, and (c) the FMV of the other (non-like-kind) property you gave up.

Reduce the sum of the above amounts (but not below zero) by any exchange expenses you incurred.

The following rules apply in determining the amount of liability treated as assumed.

- A recourse liability (or portion thereof) is treated as assumed by the party receiving the property if that party has agreed to and is expected to satisfy the liability (or portion thereof). It doesn't matter whether the party transferring the property has been relieved of the liability.
- A nonrecourse liability is generally treated as assumed by the party receiving the property subject to the liability. However, if an owner of other assets subject to the same liability agrees with the party receiving the property to, and is expected to, satisfy part or all of the liability, the amount treated as assumed is reduced by the smaller of (a) the amount of the liability that the owner of the other assets has agreed to and is expected to satisfy, or (b) the FMV of those other assets.

Line 15a. On line 15a, enter a description of the other (non-like-kind) property received.

Line 18. Include on line 18 the sum of:

- The adjusted basis of the like-kind real property you gave up;
- Exchange expenses, if any (except for expenses used to reduce the amount reported on line 15); and
- The net amount paid to the other party—the excess, if any, of the total of (a) any liabilities you assumed, (b) cash you paid to the other party, and (c) the FMV of the other (non-like-kind) property you gave up over any liabilities assumed by the other party.

Line 19. If filing Form 8824 electronically, space to write both "Section 121 exclusion" and the amount of the exclusion is available if needed. This option was always available on Forms 8824 filed on paper. Don't reduce the amount on line 19 by the amount of the exclusion. See *Property Used as Home*, earlier, for how to figure your gain when you can claim a section 121 exclusion.

Line 20. Generally, enter the smaller of line 15 or line 19, but not less than zero. However, if the property you gave up in the exchange was property used as your principal residence for any period and you are excluding gain under section 121, see *Property Used as Home*, earlier, for special rules to figure the amount to enter on line 20.

Figuring amounts for lines 15 through 20. See Regulations section 1.1031(d)-2 and the following example for figuring amounts to enter on lines 15 through 20.

Example. Taylor owns an apartment building with an FMV of $220,000, with an adjusted basis of $100,000, and that is subject to a mortgage of $80,000. Finley owns an apartment building with an FMV of $250,000, with an adjusted basis of $175,000, and that is subject to a mortgage of $150,000.

Taylor transfers Taylor's apartment building to Finley and receives in exchange Finley's apartment building plus $40,000 cash. Taylor assumes the mortgage on the apartment building received from Finley, and Finley assumes the mortgage on the apartment building received from Taylor.

Summary of Facts

	Taylor property	Finley property
FMV—Real property	$220,000	$250,000
Adjusted basis	$100,000	$175,000
Mortgage	$80,000	$150,000
Cash	$0	$40,000

Taylor files a Form 8824. Taylor enters on line 15 of the Form 8824 only the $40,000 cash received from Finley, and, on line 15a, enters the description of the other (non-like-kind) property received as "cash." The $80,000 of liabilities assumed by Finley isn't included because it doesn't exceed the $150,000 of liabilities Taylor assumed. Taylor enters $250,000 on line 16, the FMV of the apartment building received from Finley. Taylor enters $290,000 on line 17, the sum of lines 15 and 16. Taylor enters $170,000 on line 18—the $100,000 adjusted basis, plus the $70,000 excess of the liabilities Taylor assumed over the liabilities assumed by Finley ($150,000 - $80,000). Taylor subtracts line 18 from line 17 and enters the $120,000 gain realized on the exchange on line 19. Taylor enters $40,000 on line 20, the lesser of line 15 or line 19.

Finley files a Form 8824. Finley enters $30,000 on Finley's Form 8824, line 15—the excess of the $150,000 of liabilities assumed by Taylor, over the sum of the $80,000 of liabilities assumed from Taylor and the $40,000 cash Finley paid Taylor ($120,000). On line 15a, Finley writes "liabilities and cash." Finley enters $220,000 on line 16, the FMV of the apartment building received from Taylor. Finley enters $250,000 on line 17, the sum of lines 15 and 16. Finley enters on line 18 only the adjusted basis of $175,000, because the total of the $80,000 of liabilities Finley assumed from Taylor and the $40,000 cash Finley paid Taylor doesn't exceed the $150,000 of liabilities assumed by Taylor. Finley subtracts line 18 from line 17 and enters the $75,000 in gain realized on line 19. Finley enters $30,000 on line 20, the lesser of line 15 or line 19.

Line 21. If you disposed of section 1245, 1250, 1252, 1254, or 1255 property (see the instructions for Part III of Form 4797), you may be required to recapture as ordinary income part or all of the realized gain (line 19). Figure the amount to enter on line 21 as follows.

Section 1245 real property. Enter the smaller of:

1. The total adjustments for deductions (whether for the same or other property) allowed or allowable to you or any other person for depreciation or amortization (up to the amount of gain shown on line 19); or

2. The gain shown on line 20, if any, plus the FMV of non-section 1245 like-kind property received.

Section 1250 property. Enter the smaller of:

1. The gain you would have had to report as ordinary income because of additional depreciation if you had sold the property (see the Form 4797 instructions for line 28); or

2. The larger of:

   a. The gain shown on line 20, if any; or

   b. The excess, if any, of the gain in (1) above over the FMV of the section 1250 property received.

Section 1252, 1254, and 1255 property. The rules for these types of 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 16; 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 17. Report a gain from the exchange of capital assets according to the Schedule D (Form 1040) instructions for your tax 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 *Line 7*, earlier.

Figuring amounts for lines 21 through 24. See the following example for figuring the amounts to enter on lines 21 through 24.

Example. In addition to the facts in the example for lines 15 through 20, assume that Taylor previously allocated a portion of the basis in Taylor's apartment building for depreciation purposes under section 168 to assets that are section 1245 property. Applying section 1.1031(a)-3 of the regulations, Taylor determines that the section 1245 real property assets have an FMV of $55,000, a cost basis of $35,000, and an adjusted basis of zero. The section 1245 property is real property for section 1031 like-kind exchange treatment. The total depreciation allowed or allowable on the section 1245 property is $35,000. All of the property Taylor received from Finley is section 1250 property. The section 1245(a)(1) ordinary income recapture amount is $35,000 (the lesser of the property's depreciable basis of $35,000 or the amount realized of $55,000).

Summary of Facts

	Taylor property	Finley property
FMV—Real property	$220,000	$250,000
Adjusted basis real property	$100,000	$175,000
FMV—1245 Real property	$55,000	$0
Basis—1245 property	$35,000	$0
Adjusted basis—1245 property	$0	$0
FMV—1250 Property	$165,000	$250,000
Mortgage	$80,000	$150,000
Cash	$0	$40,000

Taylor enters $35,000 on line 21 as ordinary income under the section 1245(b)(4) recapture rules, the lesser of the $35,000 of section 1245(a)(1) ordinary income recapture or the line 20 gain of $40,000 plus the FMV of non-section 1245 property acquired of $250,000, which is $290,000. Taylor subtracts line 21 from line 20 and enters $5,000 on line 22. Taylor enters the sum of lines 21 and 22, $40,000, on line 23. Taylor subtracts line 23 from line 19 and enters the deferred gain on the exchange, $80,000, on line 24.

Alternatively, assume that Taylor's section 1245 assets had a basis and allowed or allowable depreciation of $50,000 instead of $35,000. The section 1245(a)(1) ordinary income recapture amount is $50,000 (the lesser of the property's depreciable basis of $50,000, or the amount realized of $55,000). Taylor enters the lesser of the $50,000 section 1245(a)(1) ordinary income recapture, or $290,000 (the gain recognized of $40,000 plus the $250,000 FMV of non-section 1245 property received) on line 21, as ordinary income of $50,000. Taylor subtracts line 21 from line 20 and enters $0 on line 22. Taylor enters the sum of lines 21 and 22, $50,000, on

line 23. Taylor subtracts line 23 from line 19 and enters the deferred gain on the exchange, $70,000, on line 24.

Section 1245(b)(4) recapture is the lesser of:
1. $50,000 (Section 1245(a)(1) recapture on Taylor's property), or
2. $290,000, which is the total of 2a and 2b below.
   2a. $40,000 (Gain recognized).
   2b. $250,000 (FMV non-section 1245 property received).

Assume that Finley previously allocated $50,000 of the basis in Finley's apartment building to section 1250 qualified improvement property and determines that the section 1250 assets have a FMV of $50,000 and adjusted basis of zero. The total depreciation that would have been allowable on the straight-line method for the section 1250 property is $15,000, so the excess $35,000 in depreciation taken over the straight-line depreciation is Finley's section 1250(a)(1)(A) recapture amount. Finley computes the section 1250(d)(4)(A) recapture limit as the greater of the gain recognized on line 20 of $30,000, and $0 (the section 1250(a)(1)(A) recapture amount of $35,000 less the FMV of section 1250 property received of $165,000). Finley enters $30,000 on line 21 as ordinary income, the lesser of the $35,000 of section 1250(a)(1)(A) recapture or the section 1250(d)(4)(A) recapture limit of $30,000. Finley subtracts line 21 from line 20 and enters $0 on line 22. Finley enters $30,000 on line 23, the sum of lines 21 and 22. Finley subtracts line 23 from line 19 and enters the deferred gain on the exchange, $45,000, on line 24.

Section 1250 recapture is the lesser of:
1. $35,000 (Section 1250(a)(1)(A) recapture on Finley's property), or
2. $30,000 (Section 1250(d)(4)(A) recapture limit, which is the greater of 2a or 2b below).
   2a. $30,000 (Gain recognized on the exchange), or
   2b. $0: ($35,000 (Section 1250(a)(1)(A) recapture) reduced, but not below zero, by $165,000 (FMV Section 1250 property received)).

Line 25. Basis of like-kind property received. If any like-kind section 1250, 1245, 1252, 1254, or 1255 property, or like-kind intangible property was received as part of an exchange, the basis is entered on applicable lines 25a, 25b, and/or 25c.

Lines 25, 25a, 25b, and 25c. The amount on line 25 is your basis in the like-kind property you received in the exchange. Your basis in other property (non-like-kind) received in the exchange, if any, is its FMV.

However, if the property you gave up in the exchange was property used as your principal residence for any period and you are excluding gain under section 121, see *Property Used as Home*, earlier, for special rules to figure the amount to report on line 25.

Lines 25a, 25b, and 25c. If you received section 1250 property, section 1245, 1252, 1254, or 1255 property, and/or intangible property that is like-kind property in the exchange, you must complete lines 25a, 25b, and/or 25c, whichever are applicable.

- On line 25a, enter the amount from line 25 that is allocated to the like-kind section 1250 property received in the exchange.
- On line 25b, enter the amount from line 25 that is allocated to the like-kind section 1245, 1252, 1254, and 1255 property received in the exchange.
- On line 25c, enter the amount from line 25 that is allocated to the like-kind intangible property received in the exchange.

Amounts entered on lines 25a, 25b, and 25c must be proportionate to their FMVs.

Example. Referring to the facts in the examples for lines 15 through 24, Taylor determines the apartment building received from Finley contains only like-kind section 1250 property and no section 1245, 1252, 1254, or 1255 property and no intangible property treated as section 1031 like-kind property.

Summary of Facts

	Taylor property	Finley property
FMV—1250 Real property	$165,000	$250,000
FMV—1245 Real property	$55,000	$0
Basis—1245 property	$35,000	$0
Adjusted basis—1245 property	$0	$0
Mortgage	$80,000	$150,000
Cash	$0	$40,000

Taylor subtracts line 15 from the sum of lines 18 and 23 and enters $170,000 on line 25. Taylor allocates the entire $170,000 to the basis of the like-kind section 1250 property received in the exchange. Taylor completes a Form 8824. Taylor reports the $170,000 on line 25a. See Regulations sections 1.1245-5(a)(1) and 1.1250-3(d)(4).

Like Taylor, Finley also files a Form 8824. Finley determines that the apartment building received from Taylor with an FMV of $220,000 contains like-kind section 1245 property with an FMV of $55,000, and like-kind section 1250 property with an FMV of $165,000. Finley enters $175,000 on line 25, the sum of lines 18 and 23 less line 15. Finley allocates $131,250 ($165,000/$220,000 × $175,000) from line 25 to the basis of the like-kind section 1250 property received in the exchange. Finley allocates $43,750 ($55,000/$220,000 × $175,000) from line 25 to the basis of the like-kind section 1245 property received in the exchange. Finley reports $131,250 as the amount for line 25a and $43,750 as the amount for line 25b. As noted in the above example, Finley's remaining $5,000 in potential section 1250 depreciation recapture attaches to the apartment building received by Finley from Taylor, and $5,000 of any gain recognized on the subsequent sale of this property is recognized as ordinary income.

Section 1043 Conflict-of-Interest Sales (Part IV)

If you, as an eligible person, 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 during the 60-day period beginning on the date of such 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. "Eligible persons" includes an officer or employee of the executive branch, or a judicial officer of the federal government, but not a special government employee defined in 18 U.S.C. section 202. "Eligible persons" also includes any spouse, minor, or dependent child whose ownership of any property is attributable to such an officer or employee.

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 (Form 1040) 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.

Under Revenue Procedure 2018-58, the act of making an election to sell property according to a certificate of divestiture issued by the OGE may be deferred under section 7508 for service in a combat zone (with exceptions) or under section 7508A for a federally declared disaster or state-declared disaster (for state declarations made after July 24, 2025).

Stock acquired through a statutory stock option. If the property you sold was stock you acquired by exercising a statutory

stock option, you may be treated as meeting the holding period requirements 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.

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 33. Don't attach the Form 4797 used as a worksheet to your tax return.

3. Report the amount from line 35 on Form 4797, line 11, in 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 (Form 1040). 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 11, in column (g). In column (a), write "From Form 8824, line 36." Don't complete columns (b) through (f). If you held a qualified investment in a QOF at any time during the year, you must file your tax return with Form 8997 attached. See the Instructions for Form 8997.

Paperwork Reduction Act Notice. We ask for you to obtain the information on this form to carry out the Internal Revenue laws of the United States. You are required to obtain this information. You are not required to obtain 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 Internal Revenue Code section 6103.

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