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Person to Contact:

Telephone Number:

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Date:

December 2, 2015

Dear _____ :

This letter is in response to your correspondence postmarked October 2, 2015. You requested general information regarding § 1031 of the Internal Revenue Code.

Section 1031 generally provides that no gain or loss is recognized with respect to an exchange of like-kind property held for productive use in a trade or business or for investment. The following types of property are not eligible for § 1031 treatment: (1) stock in trade or other property held primarily for sale; (2) stocks, bonds, or notes; (3) other securities or evidences of indebtedness or interest; (4) interests in a partnership; (5) certificates of trust or beneficial interests; and (6) choses in action.

If related parties engage in a like-kind exchange of properties and either related party disposes of the property received in the exchange within two years of the date of the last transfer, then both must recognize gain or loss with respect to the exchange property. However, this rule does not apply to:

- (1) dispositions occurring after earlier of the death of the taxpayer or the death of the related person;
- (2) dispositions as a result of compulsory or involuntary conversion (within the meaning of § 1033) if the exchange occurred before the threat or imminence of the conversion; or
- (3) dispositions with respect to which it is established to the satisfaction of the Secretary that neither the exchange nor such disposition had as one of its principal purposes the avoidance of federal income tax.

For this purpose a “related person” is any person bearing a relationship to the taxpayer described in § 267(b) or § 707(b)(1) of the Code.

To further assist you, we have enclosed a copy of § 1031 of the Code and Publication 544, *Sales and Other Dispositions of Assets*. We hope this information is helpful.

Sincerely yours,

J. Peter Baumgarten
Assistant to the Branch Chief, Branch 4
Office of Associate Chief Counsel
(Income Tax & Accounting)