Investment Property Exchange Services, Inc.

A Subsidiary of Fidelity National Financial, a Fortune 500 Company

1031 Insider

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Disaster Relief – IRS Issued Tax Relief & 1031 Extensions

Deadlines for completing a 1031 Exchange are straightforward. Once you close on the sale of your old property, you have 45 days to locate the new property that you want to purchase and 180 days to complete the purchases of the new property. If you do not meet those deadlines, your exchange will “fail” and you will not be eligible for the tax deferral treatment. However, when a catastrophic event that affects large numbers of people, such as hurricanes, tornados, wildfires, floods and terrorist actions occur, the government may issue tax relief extensions, which also may extend your 1031 deadlines.

If the IRS issues an official notice, then Section 17 of Revenue Procedure 2007-56 provides postponement provisions specific to 1031 Exchange deadlines that apply in the case of federally declared disasters, sometimes referred to as Presidentially declared disasters. Section 17 extends the 45 and 180-day periods in forward and reverse exchanges that fall on or after the date of a federally declared disaster by the later of 120 days or the date specified in the relevant IRS News Release (Tax Relief Notice), but not beyond the due date for filing the tax return for the year of the transfer.

In the aftermath of a catastrophic event, the IRS may issue a Tax Relief Notice identifying counties state by state which have been declared disaster areas. The IRS issued Tax Relief notices for the recent storms and flooding in Alabama, Arkansas and Mississippi. Note that the Tax Relief Notice must specifically state that it provides relief under §17 of Rev. Proc. 2007-56 in order for the notice to apply to like-kind exchanges. Also note that FEMA disaster notices, which are typically published well before IRS Tax Relief Notices, do not have any effect upon 1031 Exchange deadlines.

To qualify for an extension of the §1031 deadlines, the relinquished property must have been transferred on or before the date of the federally declared disaster, AND the exchanger must be an “affected taxpayer” OR must have difficulty meeting the exchange deadlines due to one of the following disaster-related reasons:

1) The Relinquished or Replacement property is in the covered disaster area
2) The principal place of business of any party to the transaction is in the disaster area (i.e. Qualified Intermediary, Exchange Accommodation Titleholder, Settlement Agent, Lender, Title Insurer)
3) Any party to the transaction dies, is injured or missing
4) Documents relating to the exchange or transaction are destroyed, damaged or lost
5) The lender will not fund because of the disaster
6) Title, hazard, flood or other such insurance is no longer available for that property

The rules related to qualifying for a disaster extension can be complicated and a taxpayer should always seek advice from a competent tax advisor or attorney regarding entitlement to the extension. Additionally, it is important to note that in order for the taxpayer involved in an exchange to take advantage of these disaster relief options, the exchange agreement must include language to allowing for extensions in the event of federally declared disasters.

- Disaster Relief Deadline Extensions
- IRS Website

At IPX1031®, we pride ourselves on not only being the industry leader in service and security, but also strive to help our clients and their advisors keep current on issues of interest. We aim to be your valued information resource. As the nation's largest 1031 Intermediary, IPX1031® has offices throughout the country and a highly skilled team of exchange attorneys, CPAs, coordinators and sales executives to provide quick answers and guidance. If you or your client is in need of direction to the most current IRS Disaster Relief information, please contact your local IPX1031® office or click on the above links for more information.