

1031 *Insider*

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Death and Taxes Despite Government Shutdown

For years, people have wondered what would really happen if the federal government stopped working or essentially shut down. Welcome to today's world where wonders of the past are actually occurring. And with all of the intricacies involved, how can a real estate transaction involving a 1031 Exchange get mixed up with the government shutdown?

Many people will use a 1031 Exchange to defer the taxes that would be ordinarily due upon the sale of the investment real estate by purchasing another piece of investment property. Typically, after a seller closes on their sale property, the tax code allows 45 days to identify new property and 180 days to close. With the shutdown occurring, what happens when there is a government issued loan or other government documentation needed to close the transaction? Does that mean the taxpayers get a timing break until the government starts back up and can effectively close the deal? Is there a chance extensions will be granted?

It seems the saying "do as I say, not as I do" is applicable in this situation. The IRS made a clear statement in their recent press release that, "the current lapse in federal appropriations does not affect the federal tax law, and all taxpayers should continue to meet their tax obligations as normal. Individuals and businesses should keep filing their tax returns and making deposits with the IRS, as required by law."

When it comes to the 1031 Exchange deadlines, it appears to be unrealistic to expect that deadlines will be extended due to the government shutdown as there is no authority for doing so. As for closing a transaction dependent on government issued documentation, it seems no answer will be readily available except to find another solution. Be prudent and plan accordingly.

To read the entire IRS press release go to: <http://www.irs.gov/uac/Newsroom/Reminder:-Oct.-15-Tax-Deadline-Remains-During-Appropriations-Lapse>



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