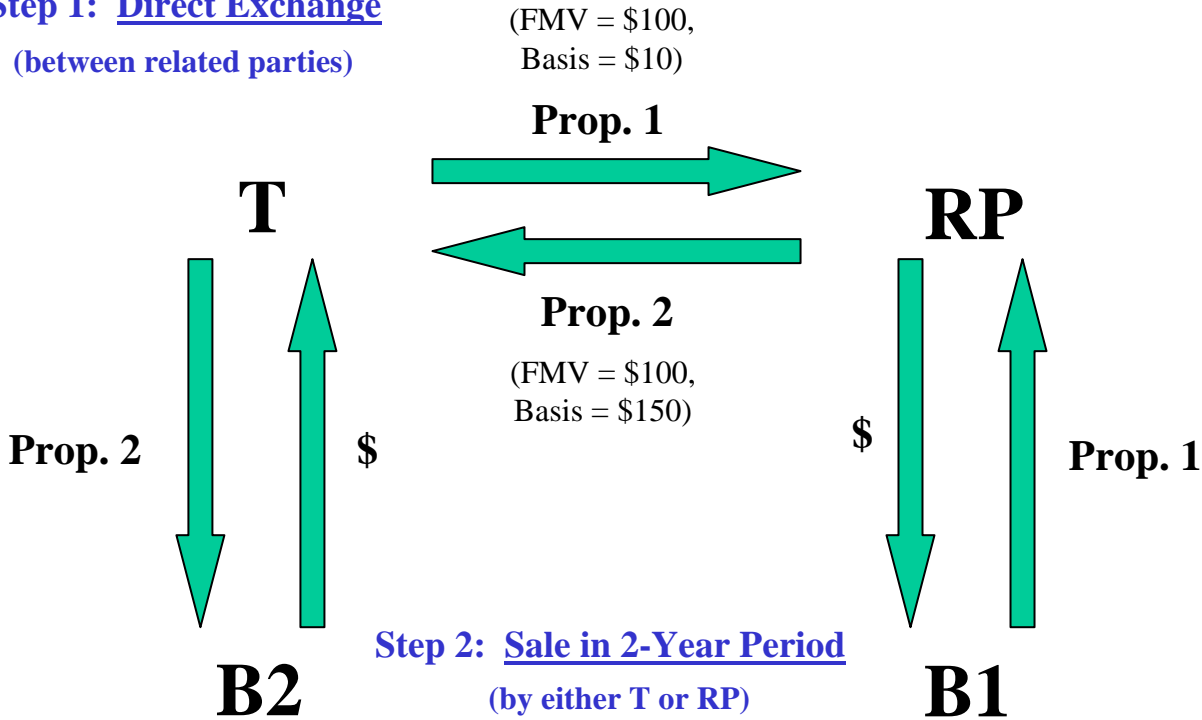


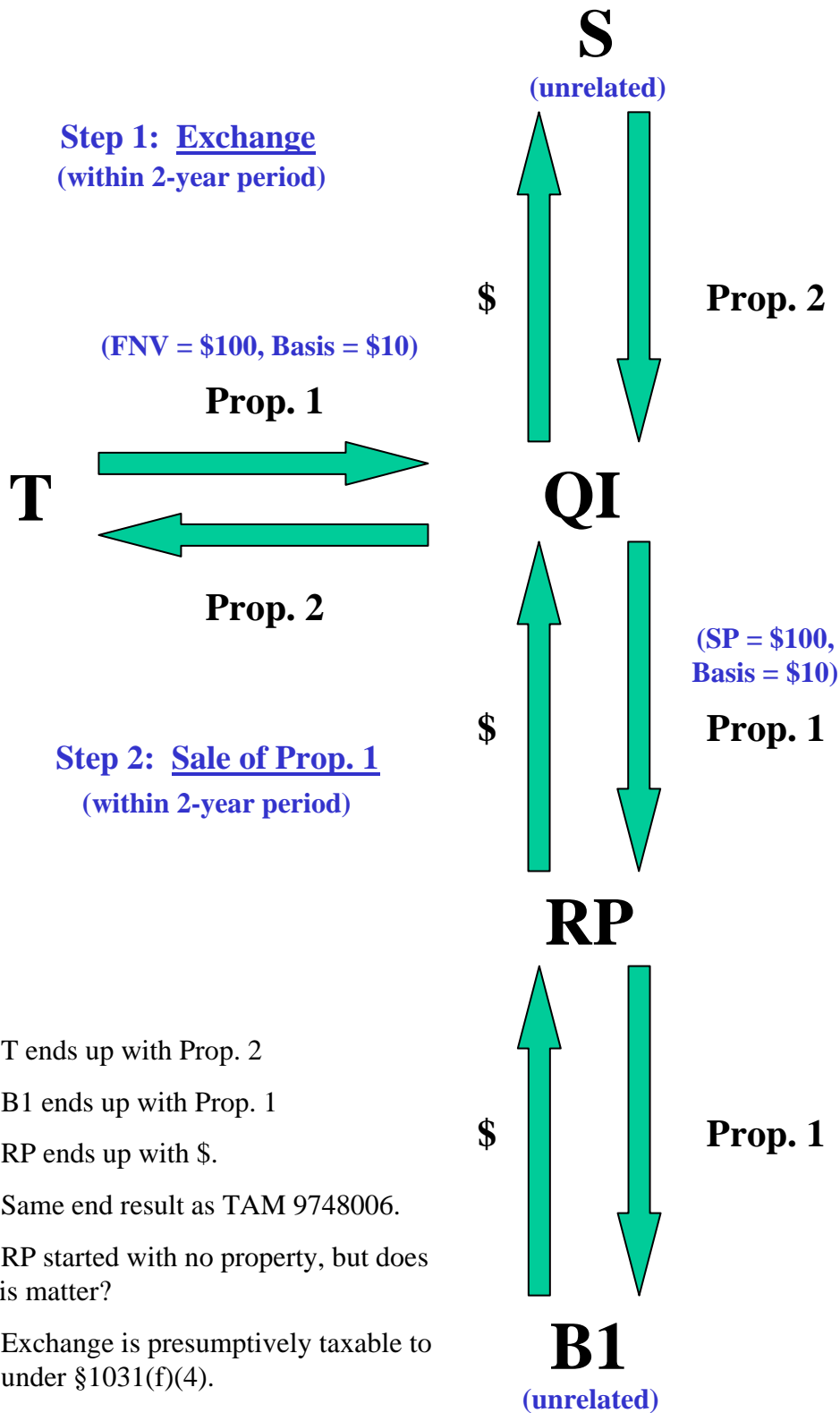
# Section 1031(f)(1) - Direct Exchange

**Step 1: Direct Exchange**  
(between related parties)



- T ends up with Prop. 2 (or \$ if T sells).
- RP ends up with Prop. 1 (or \$ if RP sells).
- Upon sale in 2-year period by either T or RP, T recognizes \$90 gain.
- Upon sale in 2-year period, RP loss of \$50 is disallowed.
- Section 1031(f)(2)(C) should not apply.

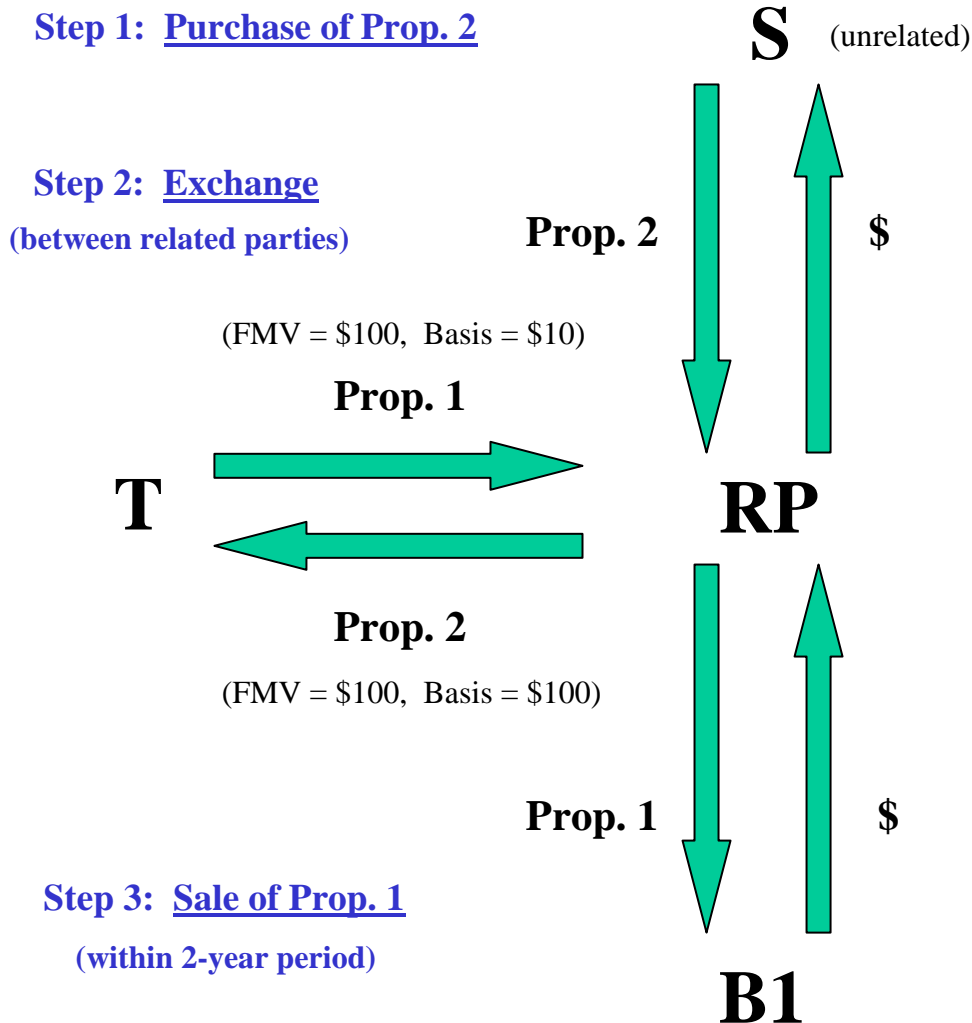
# Section 1031(f)(4) - RP As Buyer



- T ends up with Prop. 2
- B1 ends up with Prop. 1
- RP ends up with \$.
- Same end result as TAM 9748006.
- RP started with no property, but does this matter?
- Exchange is presumptively taxable to T under §1031(f)(4).

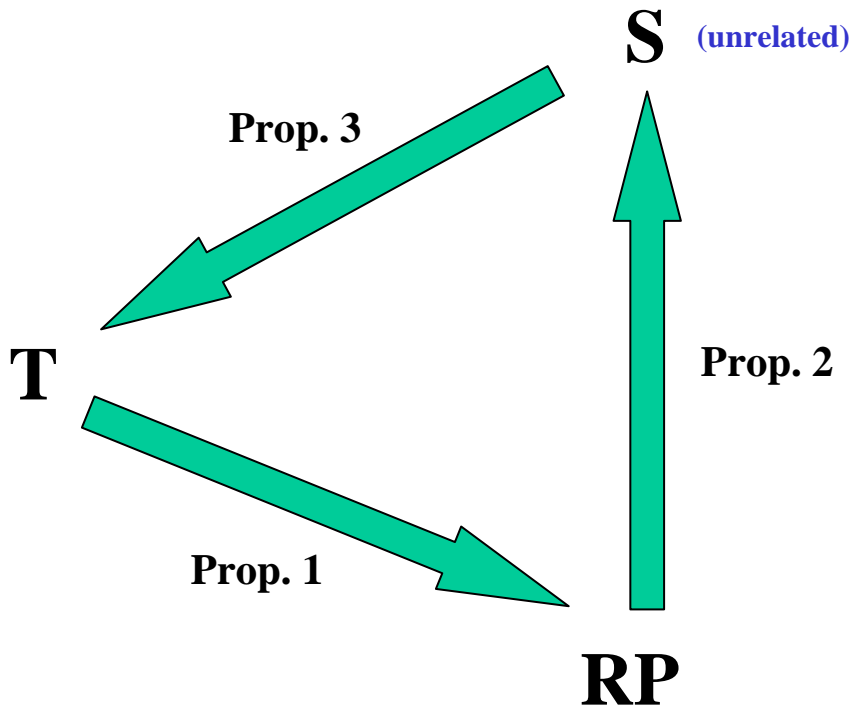
# Section 1031(f)(1)

## RP As Seller - Accommodator



- T ends up with Prop. 2.
- B1 ends up with Prop. 1
- RP ends up with \$.
- This is a direct exchange between related parties.
- Exchange is taxable to T and RP under §1031(f)(1), but RP realizes no gain.

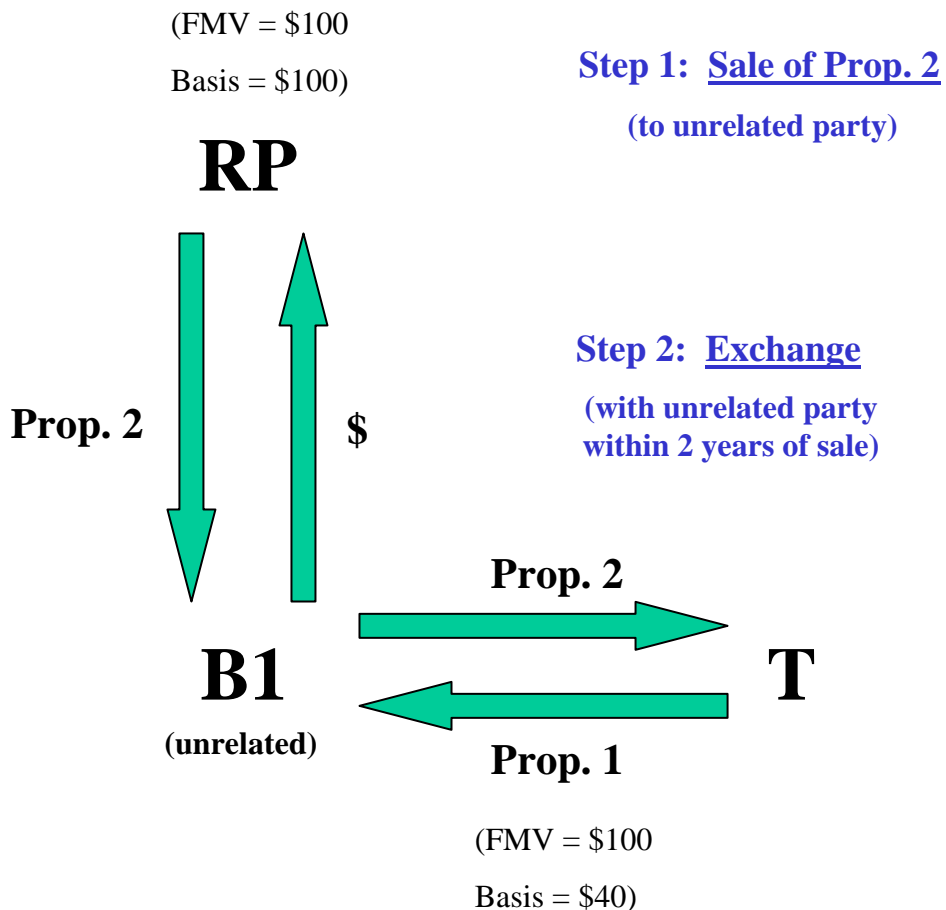
## Section 1031(f)(1) - Circular Exchange



- A. RP exchanges Prop. 2 for Prop. 1 with T and T exchanges Prop. 2 for Prop. 3 with S.
- B. RP exchanges Prop. 2 for Prop. 3 with S and RP exchanges Prop. 3 for Prop. 1 with T.
- C. T exchanges Prop. 1 for Prop. 3 with S and S exchanges Prop. 1 for Prop. 2 with RP.
- D. T transfers Prop. 1 to RP, RP transfers Prop. 2 to S, and S transfers Prop. 3 to T.
- Should all of these cases be treated the same (i.e., as a direct exchange)?
  - Should a subsequent disposition that is itself a §1031 exchange be generally allowed?

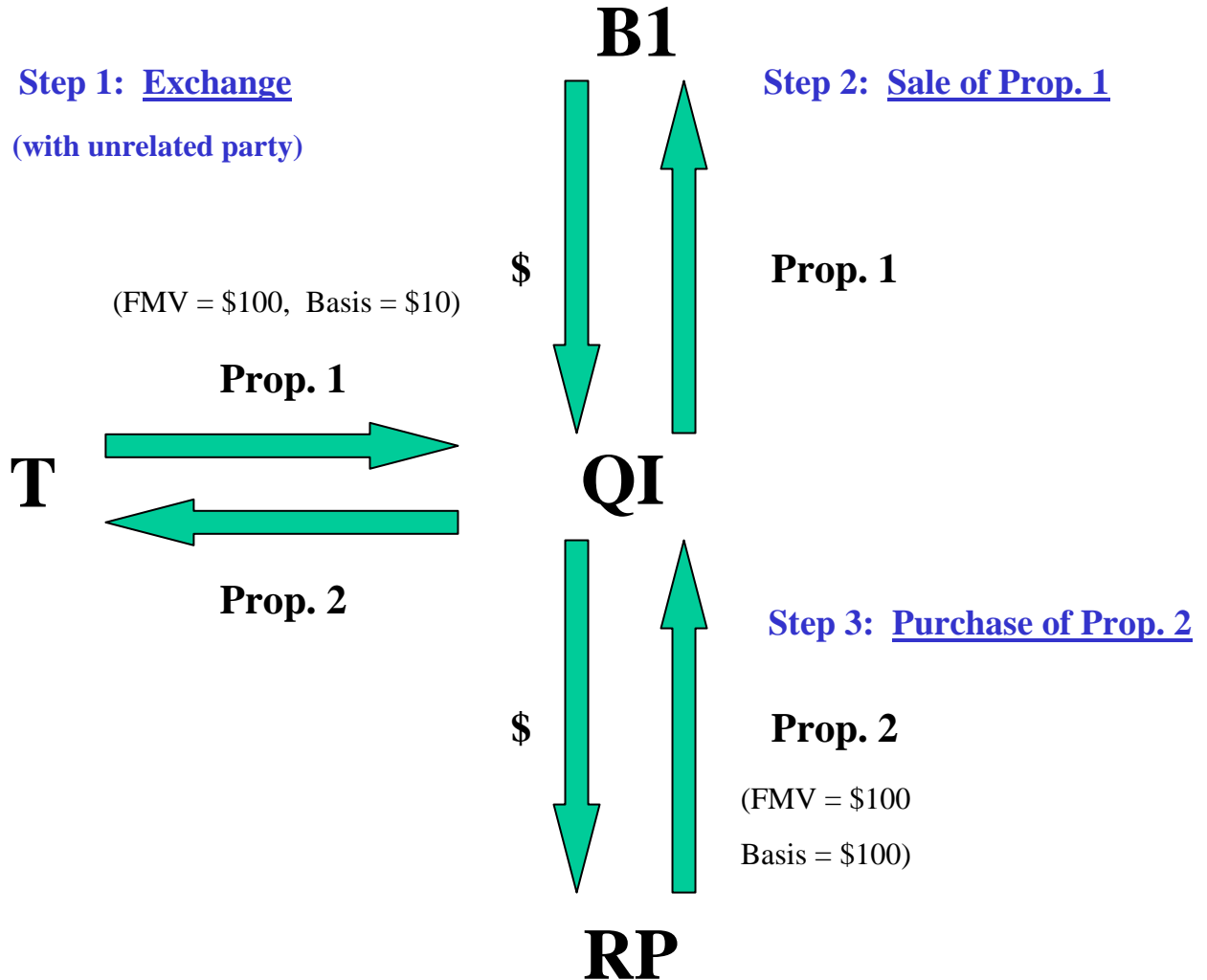
# Section 1031(f)(4)

## Committee Report Example



- T ends up with Prop. 2.
- B1 ends up with Prop. 1
- RP ends up with \$.
- Same end result as TAM 9748006 but steps are in a different order.
- Exchange is taxable to T under §1031(f)(4).

# Section 1031(f)(4) - TAM 9748006



- T ends up with Prop. 2.
- B1 ends up with Prop. 1
- RP ends up with \$.
- Same result as direct exchange, assuming RP sold Prop. 1 in 2-year period.
- Exchange is taxable to T under §1031(f)(4).