

Deadlines for Deferred Exchanges Extended IRS Announces Emergency Guidance On IRC 1031 Deferred Exchanges

The CoVid-19 crisis has a complicated planning for parties in the midst of IRC 1031 Tax Deferred Exchange transactions. However on April 9, 2020 the Internal Revenue Service announced new temporary special guidelines to assist taxpayers during the emergency. As a result the identification periods and acquisition periods have been modified.

1. **Extension of 45 Identification Period.** If the transaction's identification period falls between April 1, 2020 and July 15, 2020, any transaction during that period has until July 15, 2020 to identify prospective replacement properties.
2. **Acquisition Period.** If transaction's 180 day deadline for acquisition of the replacement property falls any time between April 1, 2020 and July 15, 2020, the acquisition period is extended in all cases until July 15, 2020.

As an example if a taxpayer closed on a transaction on December 1, instead of having to close on the replacement property by May 28, 2020, the taxpayer has an additional 47 days, in that instance until July 15, 2020.

Similarly with respect to identification of replacement properties, if the transaction closed on May 1, 2020, instead of having to identify the replacement property within 45 days, being June 14, 2020 the taxpayer has until July 15, 2020 to identify replacement properties.

There is a caveat. The replacement property identification period which is typically 45 days but is now extended, runs concurrently with the replacement property deadline. Thus while the period for identification is extended generously, the acquisition deadline is still running.

Interestingly under this guidance a taxpayer would appear to be able to identify the replacement property almost on the day of closing as long as it was done before July 15, 2020. Furthermore parties involved with so-called reverse exchanges where the replacement properties are identified and acquired before a relinquished property is sold need to consider how this temporary relief applies to their transaction, if at all.

See: [Notice 2020-23](#) (which updates Notice 2020-18, "Additional Relief for Taxpayers Affected by Ongoing Coronavirus Disease 2019 Pandemic"), released on April 9, 2020, and [Notice 2020-66](#).

Bodman attorneys are available to discuss the impact of this Internal Revenue Code Service emergency guidance and to provide counsel on existing or contemplated deferred exchange transactions. Please contact your Bodman attorney or Greg Gamalski at (248) 743-6036 or **ggamalski@bodmanlaw.com** for more information. Bodman cannot respond to your questions or receive information from you without first clearing potential conflicts with other clients. Thank you for your patience and understanding.