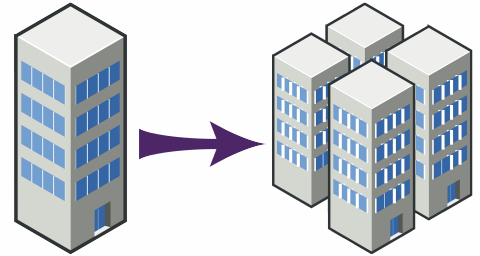


Combining Parking Transactions (Reverse Exchanges) with Delayed Exchanges

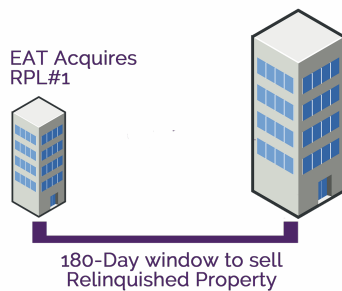
Most taxpayers understand an IRC Section 1031 exchange can be used to acquire more than one replacement property, but often those same taxpayers are surprised to learn they can acquire one or more replacement properties before the relinquished property sells by putting them in a reverse exchange (a/k/a a parking transactions) and others after the relinquished property sale in a delayed exchange.



Also known as a “combination” or “stacked” exchange, this structure essentially gives a taxpayer a 360-day window (180-days prior to the relinquished property sale and 180-day following) to acquire replacement properties. This enlarged exchange window is best understood by breaking the “stacked” exchange down into the two separate elements:

The “Reverse Window”: A 180-day period beginning on the day the Exchange Accommodation Titleholder acquires the replacement property.

The “Delayed Window”: A 180-day period beginning on the day the taxpayer transfers his relinquished property.



When these windows are overlapped a taxpayer *could* have as long as 360-days to acquire all the replacement properties. The trick is the taxpayer must comply with BOTH windows, so the Exchange Accommodation Titleholder cannot hold the “parked” replacement property longer than 180-days, and all replacement property must be acquired within 180-days of the close of the sale of the relinquished property.



Practice Point – Although the 360-day “stacked” window is possible, it is not common for a taxpayer to wait until the 180th day of the “Reverse Window” to transfer the relinquished property. It is much more common for the relinquished property to be sold somewhere in the middle of the “Reverse Window”.