REINVESTMENT RULES

To get the best result in an exchange the Exchanger will:

Use all Cash

The Exchanger will apply all net sale proceeds to the purchase of the Replacement Property, and

Obtain Equal, or Greater, Debt

The Exchanger will obtain debt on the Replacement Property equal to or greater than the debt paid off on the Relinquished Property. There is one exception. Cash added to the exchange by the Exchanger will offset the requirement for replacement debt, and

Like-kind, only

To the extent the Exchanger receives something from the exchange that is not like-kind (for example, cash, debt relief, a note, etc.) they will owe tax on the non-like-kind property.

Partial Exchanges

An exchange does not fail just because the Exchanger receives a small amount of cash, debt relief or non-like-kind property. And frequently it is the case that the perfect replacement property will not absorb all the cash or have equal debt.

The Exchanger will simply pay tax on this small amount.