Challenging Times: Helping Clients with 1031 Exchanges Using DSTs and Opportunity Zones

Completing a 1031 tax deferred exchange comes with many complexities in normal economic environments. An investor has to sell the property, move the proceeds to a Qualified Intermediary, perform due diligence and identify replacement property within 45 days, and ultimately close on the replacement property within 180 days from the original sale.

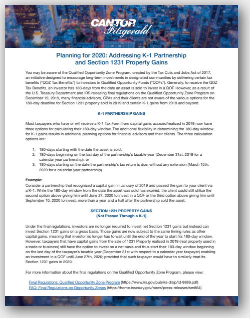
Currently, we are not in a normal economic environment. The federal government issued additional relief (IRS Notice 2020-23) on April 9, 2020 for anyone with a 45-day exchange period or 180-day exchange period deadline between April 1 and July 15, 2020. Those individuals will now have an automatic extension to July 15, 2020. Even with the additional flexibility, investors in the middle of an exchange right now have additional risks and challenges to navigate. For those investors, there are alternative planning solutions that may be worth considering, Opportunity Zones and Delaware Statutory Trusts ("DSTs").

Imagine an individual planning to exchange into a property on their own that has been disproportionately impacted by recent events. Or, what if that person can no longer secure financing? What about investors who can't conduct proper due diligence due to travel restrictions? One has to imagine there are many investors who were planning to buy a property on their own who are now evaluating what options they have. We think financial advisors could help utilizing a DST as an alternative. DSTs in the market today have already been acquired which includes due diligence, in-place financing, active property management and can be an alternative to clients who are uncomfortable or simply unable to complete an exchange on their own.

Consider an investor who has already identified replacement property, is past the 45 day identification period and no longer wants to invest in the property they have identified. What options do they have? The investor could decide to pay taxes. There is another solution that may be worth consideration. The investor may be able to take the gain from the property sale and a portion of the depreciation and invest those proceeds into a Qualified Opportunity Fund under the Qualified Opportunity Zone Program created by the 2017 Tax Cuts and Jobs Act. There are unique tax benefits offered by this program for people with capital gains on almost any type of asset, including investment property. While this may not be right for everyone, it is certainly worth consideration.

EDUCATIONAL RESOURCES

Tax Planning for 2020 with Opportunity Zones: Section 1231 and K-1 Gains

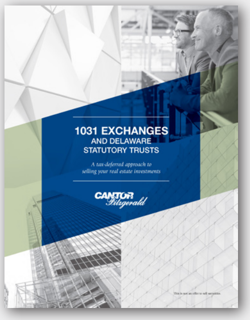


VIEW BROCHURE

Opportunity Zone Educational Brochure

VIEW BROCHURE

DST / 1031 Tax Deferred Exchange Educational Brochure



VIEW BROCHURE

We are here to be an extension of your business and to help in any way we can. Please do not hesitate to contact us.

Cantor Fitzgerald Capital

(855) 9-CANTOR | cfsupport@cantor.com | www.cantor.com