

Reporting the Like-Kind Exchange of Real Estate Using IRS Form 8824

2015 Tax Return Edition

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Gainesville, VA 20155

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From a Declaration of Principals jointly adopted by a committee of the American Bar Association and a committee of publishers and associations.

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Gainesville, VA ed@1031.us



REPORTING THE EXCHANGE

These instructions were originally developed in the early 1990s when the [IRS Form 8824](#) was first created. The IRS Form 8824 is very complicated and uses terms with which most exchangers are not familiar. As exchangers had many questions, this Workbook was published to be of assistance to them to properly report an exchange. While the author is not engaged in rendering legal or accounting service, every effort has been made to insure the guidance is in agreement with the current IRS Form 8824 instructions. Today, many taxpayers use tax preparers or commercial software. These instructions and the use of the enclosed worksheet help exchangers confirm that the other programs are not asking you to pay more taxes. If there is a conflict/difference, you should know why. Do not hesitate to email the author (ed@1031.us) with your worksheet numbers to ask for clarification or explain any differences.

In the early years of exchanging it was common for the property owners to assume the loan on the property they were receiving. Today, most banks/lenders will not allow the assumption of a loan. However, most IRS instructions still provide examples of loans being assumed. This causes major confusion. With the use of the "deferred exchange" rules (IRS regulation 1.1031(k)-(1) for most all 1031 exchanges, owners are getting new loans/mortgages.

1. WHEN DO WE REPORT THE EXCHANGE TO THE IRS? The exchange is reported to the IRS for the tax year in which the first relinquished property is transferred, even if the replacement property(ies) was transferred in the following tax year.

Example: Exchanger settles on relinquished property on Dec. 14, 2015, and then settles on replacement property May 1, 2016.

Exchanger would file IRS Form 8824 with 2015 return, **after filing an on-time request for an extension.**

2. HOW DO WE REPORT THE EXCHANGE? The Exchange is reported on IRS Form 8824, *Like-Kind Exchanges*. The Form 8824 is divided into four parts:

- Part I. Information on the Like-Kind Exchange
- Part II. Related Party Exchange Information
- Part III. Realized Gain or (Loss), Recognized Gain, and Basis of Like-Kind Property Received
- Part IV. Not used for 1031 Exchange – Used only for Section 1043 Conflict of Interest Sales.

If the exchanger has recognized gain, in addition to IRS Form 8824, the exchanger may need to report the gain on [IRS Form 4797](#), Sales of Business Property, [Schedule D \(IRS Form 1040\)](#), Capital Gains and Losses, and/or [IRS Form 6252](#), Installment Sale Income. See paragraph 6 below. IRS has made it clear not to report the sale of exchange property on Form 8949 when reporting an exchange on Form 8824.

If you made more than one like-kind exchange in the same year you should file only one summary Form 8824 and attach your own statement showing all the information requested on Form 8824 for each exchange. Include your name and tax ID number at the top of each page of the statement. On the summary IRS Form 8824, enter only your name and tax ID number, the word "Summary" on Line 1, the total **recognized** gain from all exchanges on Line 23, and the total basis of all like-kind property received on Line 25.

3. **COMPLETING PART I – INFORMATION ON THE LIKE-KIND EXCHANGE.** For Lines 1 and 2 in Part I, the exchanger should show for real property the address and type of property. For personal property a short description of the property should be entered. All property involved in each exchange is included on the single Form 8824. Include an attachment if additional space is required. Line 5 is normally the date the qualified intermediary was provided the identification of the replacement property. In the event the replacement property settled prior to the 45th day, then separate identification is not required, and the transfer date for the replacement property is shown on Line 5. The date on Line 5 should be and is usually no later than 45 days after the date you transferred the relinquished property as shown on Line 4.

4. **COMPLETING PART II – RELATED PARTY EXCHANGE INFORMATION.** Part II is only completed when the replacement property was purchased/acquired from a related party, directly or indirectly. A related party includes the exchanger's spouse, child, grandchild, parent, grandparent, brother or sister, or a related corporation, S corporation, partnership, or trust in which the exchanger has over a 50% interest. See IRC Section 1031(f). Before marking YES on Line 7, form 8824 be certain that the other party in to exchange is a related person. For instance an in-law while related, is not a related party for tax purposes. If the exchange is made with a related party (and an exception does not apply), then you must also file Form 8824 for the two years following the year of the exchange. See specific Form 8824 Instructions for Line 7. There have been a number of exceptions and clarifications on related party exchanges. If in doubt a tax advisor should be consulted before claiming the exchange involved a related party. If necessary see specific form 8824 instructions for Line 7 and Part III.

5. **COMPLETING PART III – REALIZED GAIN OR (LOSS), RECOGNIZED GAIN, AND BASIS OF LIKE-KIND PROPERTY RECEIVED.** Part III is the most important and most difficult part of the form to complete. Part III provides for the reporting of:

- a. Ordinary gain (or loss) on 'other property' (i.e. non-like property) given up (see Lines 12, 13, and 14)
- b. Ordinary income under the recapture rules (see Lines 21 and 22, and Instructions). *Do not confuse with recapture of Section 1250 depreciation.* There is no recapture if depreciable real property is exchanged for other depreciable real property. If depreciable real property is exchanged for non-depreciable real property (ex: rental house for land) then the total depreciation taken in excess of straight line could be recaptured. If the value of depreciable property received in the exchange (e.g. improvements to the land) exceeds the amount of additional or excess depreciation, then no depreciation will be recaptured. Few properties exist today that have excess depreciation.
- c. Multi-Asset Exchanges. Note that multi-asset exchanges are covered in detail in Section 1.1031(j)-1 of the regulations. An exchange is only reported as a multi-asset exchange if the exchanger transferred **AND** received more than one group of like-kind properties, cash or other (not like-kind) property. Few real estate exchanges are multi-asset exchanges. See Page 1 of the Instructions for Form 8824 on multi-asset exchanges and reporting of multi-asset exchanges.
- d. Realized Gain, Recognized Gain and Basis of Like-Kind Property Received. This is the primary purpose of Part III and IRS Form 8824.

To complete Part III, starting with Line 15, requires the use of our blank Worksheet on Page 10.

The following example is used throughout this workbook, and a completed Worksheet using this example is on Page 9.

EXAMPLE: To show the use of the Worksheet, we will use the following example of an exchange transaction. In most exchanges all tax is deferred. In this example, however, the exchanger will **buy down in value and receive excess exchange escrow funds**.

1. *Basis*. The cost basis in the property being relinquished (with improvements) is \$150,000, and \$45,000 has been taken in **depreciation** over a ten-year period. 2. *Relinquished Property*. The relinquished property contract price is \$500,000, and the current **debt** to be paid off at settlement is \$90,000. The exchanger had \$40,000 in exchange expenses, and the \$370,000 in proceeds (exchange escrow funds) were placed in a qualified escrow account by the Qualified Intermediary.

3. *Replacement Property*. The replacement property was purchased for \$450,000, and a new loan was obtained for \$150,000. The cash down payment was \$300,000, and exchange expenses were \$5,000.

The Worksheet is broken down into the four following steps:

STEP 1 IT IS IMPORTANT TO READ EACH NOTE !!

Gain Realized from Property Relinquished. The first step is to determine the amount of total capital gain that is being realized.

1. FMV of Relinquished Property		\$500,000
(Note 1: Fair Market Value [FMV] is normally contract price)		
2. Less: Adjusted Basis		
2a. Cost (with improvements)	\$150,000	
2b. Less: Depreciation allowed	<u>- 45,000</u>	-105,000
3. Less: Total Exchange Expenses		
(Note 2: Exchange expenses are allowable selling expenses for the relinquished property and the acquisition cost of replacement properties. (See Page 12 for Allocation of Exchange Expenses))		
3a. Relinquished Property	\$40,000	
3b. Replacement Property	<u>+5,000</u>	<u>-45,000</u>
4. Equals Realized Gain		\$350,000

Line 4 is posted to Line 19 on IRS Form 8824

Note: For a Reverse Exchange where the EAT holds the relinquished property the FMV used on Line 1 will be the amount the EAT was able to sell the relinquished property.

STEP 2

Determining Recognized Gain. This is the most important step in the process as it establishes how much of the capital gain realized will in fact be recognized and become taxable income. Line 15 at the end of Step 2 reflects the taxable boot and is transferred to Line 15 on IRS Form 8824.

5. Relief of debt on relinquished property	\$90,000
6. Less: Debt acquired on replacement property	-150,000
7. Equals net relief of liabilities [not less than zero]	-0-
These three lines determine if there is any mortgage boot . If debt acquired is less than debt relief, mortgage boot results. Answer may not be less than zero because excess mortgage cannot offset cash boot.	
8. Plus: Cash (down payment) received	+ 345,000
(Note 3: Cash received is FMV of relinquished property [Line 1] less debt relief [Line 5] less FMV of 'other property' received, including cash and value of owner held notes)	
9. Less: Cash paid (down payment) to seller	- 300,000
(Note 4: Cash down payment is normally the difference between replacement property contract price and loan amount, less any seller given closing cost credits/allowances and additional cash paid by the exchanger)	
10. Less: Total Exchange Expenses (from Line 3 above)	- 45,000
11. Less: FMV of non-like kind 'other property' relinquished.	- -0-
Includes credits given and other exchangor paid expenses. 'Other property' is all non-like property, such as personal property like a car, boat or trailer, and additional cash added.	
12. Equals Boot Received (not less than 0)	-0-
13. Plus: FMV of 'other property', cash & Notes received	+ 65,000
14. Equals total NET boot received (Sum of Lines 12 + 13)	\$ 65,000
15. Recognized Gain (Taxable Income)	\$ 65,000
The smaller of Line 4 or 14 above	

Line 15 is posted to Line 15 on IRS Form 8824

STEP 3

Realized Gain Deferred. This step determines how much of the realized gain will be deferred.

16. Realized Gain (from Line 4 above)	\$ 350,000
17. Less: Recognized Gain (Taxable Income, Line 15 above)	<u>- 65,000</u>
18. Equals Realized Gain Deferred	\$ 285,000

Line 18 is posted to Line 24 on IRS Form 8824

STEP 4

Basis of New Property. This step determines what the total basis will be in the new like-kind properties. From this basis the proportionate value of the land is subtracted. The balance is the value of the improvements for depreciation purposes. See Paragraph 7 below for the rules on depreciation of the replacement property.

19. FMV of Replacement Property (normally contract price)	\$450,000
Line 19 is posted to Line 16 on IRS Form 8824	
20. Less: Realized Gain Deferred (from Line 18 above)	<u>- 285,000</u>
21. Equals Total Basis in New Property(ies)	\$ 165,000

Line 21 is posted to both Lines 18 and 25 on IRS Form 8824

A completed Form 8824 using the above example is shown on pages 12 and 13.

Completion of IRS Form 8824. With the lines posted from the Worksheet to IRS Form 8824, the remaining open lines in Part III on Form 8824 can then be calculated.

IRS Form 8824 and its instructions are included at the end of this Workbook.

The form is also available at the IRS web site www.irs.gov/pub/irs-pdf/f8824.pdf. At the IRS site you can fill in your information on the IRS Form 8824 and print out a final copy.

6. ADDITIONAL FORMS MAY BE REQUIRED. Once Form 8824 is completed, then any additional forms required may be completed. **If Line 22 on Form 8824 is zero – congratulations – no additional forms are required.**

a. Form 4797, 'Sales of Business Property'. If there is an amount more than zero on Line 22 of the 8824, put that amount on Line 11 of the Schedule D or use Form 4797 to report the exchange of property used in your trade or business or held for production of rents (unless the installment method applies). See [IRS instructions for Form 4797](#).

b. Schedule D, Form 1040, 'Capital Gains & Losses'. For investment property not reported on Form 4797, transfer Line 22, Form 8824 (except installment sale amount), to Line 11 of the Schedule D, Form 1040. See instructions for [Schedule D](#). The IRS in Tax Tip 2012-28 has clearly stated that if reporting a 1031 exchange on IRS Form 8824, do not show the sale on Form 8949.

c. Form 6252, Installment Sale Income. That portion of the amount on Line 22, Form 8824, to be treated as an installment sale is reported on Form 6252. If there is any installment sale income, then it is carried forward from Line 26, Form 6252, and reported on Line 11, Schedule D or Line 4, Form 4797. (See [IRS Publication 537, Installment Sales](#).)

If an exchanger actually receives boot or other exchange escrow funds in the year following the exchange of the first relinquished property, he may delay claiming receipt of the funds until the new year by filing IRS Form 6252, Installment Sale Income.

d. Schedule E and IRS Form 8582, Passive Activity Loss Limitations. If you have suspended passive losses from the rental property you are exchanging, then you may use those losses to offset any taxable boot you may be receiving. Use Worksheet 5 to IRS Form 8582 to determine the amount of allowed loss (Column (c)) for the specific property being exchanged. The Schedule E instructions state "If you have an unallowed rental real estate loss from a prior year after completing Form 8582 you can deduct this year, include the loss on line 22. [of Schedule E]" .

Any suspended passive losses on the exchanged property not used are carried forward to the replacement property (see IRS Publication 925, Passive Activity and At-Risk Rules, and the Instructions for IRS Form 8582).

7. DEPRECIATION OF REPLACEMENT PROPERTY. On February 26, 2007, the IRS amended IRS Section 168. It was published in IRB 2007-14 as T.D. 9314. It contains the final regulations for depreciation of replacement property. Under these regulations the general rule remains that the taxpayer must depreciate the remaining relinquished property adjusted basis (called the *exchanged basis*) over the remaining recovery period using the same depreciation method as if it were a continuation of the relinquished property depreciation schedule. However, if the replacement property is not residential, then the remaining exchanged basis and the new excess basis would be depreciated using the 39-year schedule. Any increase in the basis (called the *excess basis*) will be treated as newly acquired property and will be depreciated over 27.5 or 39 years using a new straight line depreciation schedule. No depreciation will be claimed for the period between the transfer of the relinquished property and the receipt of the replacement property.

The regulation does permit the taxpayer to elect out of the rules and to treat the entire replacement property as a new asset. To make this election, see IRS instructions for IRS Form 4562, *Depreciation and Amortization*.

Example: An exchanger has been taking depreciation for 10 years on a residential rental purchased for \$150,000. He has taken \$4,500 in depreciation annually leaving an exchanged basis of \$105,000. If he purchases a residential replacement property with a total new basis of \$165,000 (per Line 25 of IRS Form 8824), his depreciation schedules for the replacement property would be as follows:

Continuation of the Old Schedule for remaining 17.5 years: \$4,500 per year for 17.5 years.

New Schedule for amount of Excess Basis for 27.5 years: If the value of the new property depreciable improvements were 82.5%, then the \$60,000 increase in basis (\$165,000 - 105,000) would be depreciated as follows: $\$60,000 \times 82.5\% = \$49,500$ divided by 27.5 years. The result would be \$1,800 in annual depreciation to be taken for 27.5 years.

The total depreciation to be taken annually henceforth would be \$4,500 (old schedule) **plus** \$1,800 (new schedule) for a total amount of \$6,300.

8. EXCHANGE EXPENSES. On Page 11 there is a chart showing the allocation of settlement costs. The exchange expense column lists those expenses that may be incurred in the disposition of the relinquished property and the acquisition of the replacement property.

The allowed exchange expenses are summarized and listed on Line 3 of the Worksheet. Be sure to include any expenses paid outside of closing which are considered exchange expenses. Additional exchange expenses are (a) loan fees paid by seller (exchanger) for buyer of relinquished property, and (b) messenger/notary fees.

Other expenses, called transactional items, paid by the exchanger may be shown on the HUD 1 (settlement statement) in accordance with local standards, and may be paid (like expenses for an exchanger to get a property loan) but are not considered exchange expenses! These real estate transactional items are normally reported on Form 1040, Schedule E, adjustments, rental property expenses, or costs to obtain a loan. See IRS 1.1031(k)-1(g)(7).

9. REPORTING EXCHANGE PROPERTY ALSO QUALIFYING FOR PRINCIPAL RESIDENCE SECTION 121 EXCLUSION. It is possible that the relinquished property being exchanged also qualifies for exclusion of gain as a principal residence under IRC Section 121 (for details see [IRS Publication 523, Selling a Home](#)).

If you also qualify for the exclusion of gain, **complete IRS Form 8824** according to the instructions with these exceptions:

- (a) subtract Line 18 from Line 17. Subtract the amount of the exclusion from the result. Enter that result on Line 19.
- (b) on the dotted line next to Line 19, enter "Section 121 exclusion" and the amount of the exclusion.
- (c) on Line 20, enter the smaller of Line 15 minus the exclusion, OR Line 19, but not less than zero.
- (d) subtract Line 15 from the sum of Lines 18 and 23. Add the amount of the exclusion to the result and enter that sum on Line 25.

For reporting **property partly used as your home**, see additional instructions on Page 2 of IRS Form 8824 instructions. For more details see Revenue Procedure 2005-14 at <http://www.irs.gov/pub/irs-drop/rp-05-14.pdf>.

10. REVERSE EXCHANGES. If you conducted a reverse exchange in accordance with IRS Revenue Procedure 2000-37, you will have transferred your relinquished property to the Exchange Accommodation Titleholder (EAT), OR you received the replacement property from the EAT at the end of the exchange. These are the transfer dates that are shown in Part I of IRS Form 8824, on Line 4 or Line 6. The date the EAT acquired the replacement property is not recorded on the IRS Form 8824.

11. SECURITY DEPOSITS. Security deposits and advanced rent should be paid or received outside of settlement and not shown on the HUD-1 (Settlement Statement). They might end up being counted as boot rather than adjustments if included on the settlement statement.

12. 3.8% MEDICARE TAX AVOIDANCE. Normally, when a taxpayer sells an investment or rental property the gain will be included in their taxable income and cause them to be subject to the 3.8% Medicare tax. It is clear in IRS regulation Section 1.1411 that all gain deferred in a 1031 exchange is not included in the 3.8% tax calculation.

Worksheet to Complete Part III of Like-Kind Exchange IRS Form 8824
(Bold line numbers on the right refer to IRS Form 8824)

Form 8824**STEP 1. Gain Realized from Property Relinquished**

1. FMV of Relinquished Property (Note 1: FMV is normally contract price)	\$500,000	
2. Less: Adjusted Basis		
2a. Initial Cost (plus improvements)	\$150,000	
2b. Less: Depreciation allowed	<u>- \$45,000</u>	- \$105,000
3. Less: Total Exchange Expenses (Note 2: Exchange expenses are allowable selling expenses for the relinquished property and the acquisition costs of replacement properties - See page 12)		
3a. Relinquished Property	\$40,000	
3b. Replacement Property	<u>+ \$5,000</u>	- \$45,000
4. Equals Realized Gain	\$350,000	(Line 19)

STEP 2. Recognized Gain**Debt**

5. Relief of debt on relinquished property	\$90,000	
6. Less: Debt acquired on replacement property	<u>- \$150,000</u>	
7. Equals net relief of liabilities (Not less than zero)	\$0	

Cash Received and Cash Paid adjusted for expenses and additional cash/other property added.

8. Cash (Down Payment) received	\$410,000	
(Note 3: Cash received is FMV of relinquished property [Line 1] less debt relief [Line 5] less FMV of 'other non-like property' received, including cash out and value of owner held notes)		
9. Less: Cash paid (Down Payment) to seller	- \$300,000	
(Note 4: Cash down payment is normally the difference between replacement property contract price and loan amount, less any seller given closing cost credits/allowances and cash provided)		
10. Less: Total exchange expenses (from Line 3)	- \$45,000	
11. Less: FMV of non-like 'other property' relinquished	<u>- \$0</u>	
12. Equals boot received. (Lines 7+8) minus (Line 9 + 10 + 11) (Not less than zero)	=	\$0

13. Plus: FMV of 'other property', cash & owner held notes received	<u>+ \$65,000</u>	
14. Equals total NET boot received (Line 12 + 13)	\$65,000	(Line 15)
15. Recognized Gain (Taxable Income) - the smaller of Line 4 or 14	\$65,000	(Line 23)

STEP 3. Realized Gain Deferred

16. Realized Gain (Line 4)	\$350,000	
17. Less: Recognized Gain (Line 15 above)	<u>- \$65,000</u>	
18. Equals Realized Gain Deferred	\$285,000	(Line 24)

STEP 4. Basis of New Property

19. FMV of Replacement Property (normally contract price)	\$450,000	(Line 16)
20. Less Realized Gain Deferred (Line 18 above)	<u>- \$285,000</u>	
21. Equals Total Basis in New like-kind Property(ies) received	\$165,000	(Lines 18 & 25)

Worksheet to Complete Part III of Like-Kind Exchange IRS Form 8824
(Bold line numbers on the right refer to IRS Form 8824)

Form 8824**STEP 1. Gain Realized from Property Relinquished**

- | | | |
|---|------------|------------------|
| 1. FMV of Relinquished Property (Note 1: FMV is normally contract price) | \$ _____ | |
| 2. Less: Adjusted Basis | | |
| 2a. Initial Cost (plus improvements) | \$ _____ | |
| 2b. Less: Depreciation allowed | - \$ _____ | - \$ _____ |
| 3. Less: Total Exchange Expenses (Note 2: Exchange expenses are allowable selling expenses for the relinquished property and the acquisition costs of replacement properties - See page 12) | | |
| 3a. Relinquished Property | \$ _____ | |
| 3b. Replacement Property | + \$ _____ | - \$ _____ |
| 4. Equals Realized Gain | \$ _____ | (Line 19) |

STEP 2. Recognized Gain**Debt**

- | | |
|--|------------|
| 5. Relief of debt on relinquished property | \$ _____ |
| 6. Less: Debt acquired on replacement property | - \$ _____ |
| 7. Equals net relief of liabilities (Not less than zero) | \$ _____ |

Cash Received and Cash Paid adjusted for expenses and additional cash/other property added.

- | | |
|---|------------|
| 8. Cash (Down Payment) received | \$ _____ |
| (Note 3: Cash received is FMV of relinquished property [Line 1] less debt relief [Line 5] less FMV of 'other non-like property' received, including cash out and value of owner held notes) | |
| 9. Less: Cash paid (Down Payment) to seller | - \$ _____ |
| (Note 4: Cash down payment is normally the difference between replacement property contract price and loan amount, less any seller given closing cost credits/allowances and cash provided) | |
| 10. Less: Total exchange expenses (from Line 3) | - \$ _____ |
| 11. Less: FMV of non-like 'other property' relinquished | - \$ _____ |
| 12. Equals boot received. (Lines 7+8) minus (Line 9 + 10 + 11) (Not less than zero) | = \$ _____ |

- | | | |
|---|------------|------------------|
| 13. Plus: FMV of 'other property', cash out & owner held notes received | + \$ _____ | |
| 14. Equals total NET boot received (Line 12 + 13) | \$ _____ | (Line 15) |
| 15. Recognized Gain (Taxable Income) - the smaller of Line 4 or 14 | \$ _____ | (Line 23) |

STEP 3. Realized Gain Deferred

- | | | |
|---|------------|------------------|
| 16. Realized Gain (Line 4) | \$ _____ | |
| 17. Less: Recognized Gain (Line 15 above) | - \$ _____ | |
| 18. Equals Realized Gain Deferred | \$ _____ | (Line 24) |

STEP 4. Basis of New Property

- | | | |
|---|------------|----------------------------|
| 19. FMV of Replacement Property (normally contract price) | \$ _____ | (Line 16) |
| 20. Less Realized Gain Deferred (Line 18 above) | - \$ _____ | |
| 21 Equals Total Basis in New like-kind Property(ies) received | \$ _____ | (Lines 18 & 25) |

LIKE KIND EXCHANGE ALLOCATION OF SETTLEMENT COSTS

RELINQUISHED PROPERTY		Non-Exchange Expenses		
HUD 1		Exchange	1040 Schedule E	Debt
Line #	Item (1)	Expense	Adjustment/Expense	Relief
		(3)		
700	Commission	X		
800	Loan Fees	X		
1100	Title Charges	X		
1200	Recording Fees	X		
1300	Additional Charges	X		
	Termite	X		
	Courier Fees	X		
	Exchange Fees	X		
406 - 412	Pre-paid by Seller		X	
	HOA/Condo Fee		X	
	Taxes		X	
504	Pay-off of Mortgage Principal			X
	Pay-off Interest		X	
	Lender Charges		X	
510 - 519	Items Unpaid by Exchanger			
	Taxes		X	
	HOA/Condo Fees		X	
	Escrow for Repairs		X	

REPLACEMENT PROPERTY		Non-Exchange Expenses		
HUD 1		Exchange	1040 Schedule E	Loan
Line #	Item	Expense (3)	Adjustment/Expense	Costs
700	Commission	X		
800	Loan Fees			X
801 - 802	Loan Points			X (2)
803	Appraisal Fee			X
900	Prepays		X	
	Interest		X	
	Insurance		X	
100	HOA/Condo Fee		X	
1000	Lender Reserves (Taxes + Insurance)		X (4)	
1100	Title Charges	X		
	Title Insurance	X		
1200	Recording Fees	X		
1300	Additional Charges	X		
	Exchange Fees	X		
	Termite	X		
	Courier Fees	X		
	Survey	X		

(1) Include items paid outside of closing (POC). (2) Points paid for loan are amortized over the life of the loan. (3) Exchange expense relates to the costs to dispose of relinquished property and costs to acquire replacement property. (4) Deductible when paid by lender.

Form **8824**Department of the Treasury
Internal Revenue Service**Like-Kind Exchanges**
(and section 1043 conflict-of-interest sales)

▶ Attach to your tax return.

▶ Information about Form 8824 and its separate instructions is at www.irs.gov/form8824.

OMB No. 1545-1190

2015Attachment
Sequence No. **109**

Name(s) shown on tax return

Identifying number

Mr. Taxpayer**Part I Information on the Like-Kind Exchange****Note:** If the property described on line 1 or line 2 is real or personal property located outside the United States, indicate the country.**1** Description of like-kind property given up:Single Family Home, 123 Baker Street, Anytown, VA**2** Description of like-kind property received:Single Family Home, 456 Beach Road, Anyplace, NC**3** Date like-kind property given up was originally acquired (month, day, year)**3** MM/DD/YYYY 11/12/2003**4** Date you actually transferred your property to other party (month, day, year)**4** MM/DD/YYYY 12/15/2015**5** Date like-kind property you received was identified by written notice to another party (month, day, year). See instructions for 45-day written identification requirement**5** MM/DD/YYYY 12/30/2015**6** Date you actually received the like-kind property from other party (month, day, year). See instructions**6** MM/DD/YYYY 1/20/16**7** Was the exchange of the property given up or received made with a related party, either directly or indirectly (such as through an intermediary)? See instructions. If "Yes," complete Part II. If "No," go to Part III . . . ☐ Yes ☒ No**Note:** Do not file this form if a related party sold property into the exchange, directly or indirectly (such as through an intermediary); that property became your replacement property; and none of the exceptions in line 11 applies to the exchange. Instead, report the disposition of the property as if the exchange had been a sale. If one of the exceptions on line 11 applies to the exchange, complete Part II.**Part II Related Party Exchange Information****8** Name of related party Relationship to you Related party's identifying number

Address (no., street, and apt., room, or suite no., city or town, state, and ZIP code)

9 During this tax year (and before the date that is 2 years after the last transfer of property that was part of the exchange), did the related party sell or dispose of any part of the like-kind property received from you (or an intermediary) in the exchange? ☐ Yes ☐ No**10** During this tax year (and before the date that is 2 years after the last transfer of property that was part of the exchange), did you sell or dispose of any part of the like-kind property you received? ☐ Yes ☐ NoIf both lines 9 and 10 are "No" and this is the year of the exchange, go to Part III. If both lines 9 and 10 are "No" and this is **not** the year of the exchange, stop here. If either line 9 or line 10 is "Yes," complete Part III and report on this year's tax return the deferred gain or (loss) from line 24 **unless** one of the exceptions on line 11 applies.**11** If one of the exceptions below applies to the disposition, check the applicable box:

- a** ☐ The disposition was after the death of either of the related parties.
- b** ☐ The disposition was an involuntary conversion, and the threat of conversion occurred after the exchange.
- c** ☐ You can establish to the satisfaction of the IRS that neither the exchange nor the disposition had tax avoidance as one of its principal purposes. If this box is checked, attach an explanation (see instructions).

Name(s) shown on tax return. Do not enter name and social security number if shown on other side.

Your social security number

Part III Realized Gain or (Loss), Recognized Gain, and Basis of Like-Kind Property Received

Caution: If you transferred **and** received **(a)** more than one group of like-kind properties or **(b)** cash or other (not like-kind) property, see **Reporting of multi-asset exchanges** in the instructions.

Note: Complete lines 12 through 14 **only** if you gave up property that was not like-kind. Otherwise, go to line 15.

12	Fair market value (FMV) of other property given up	12			
13	Adjusted basis of other property given up	13			
14	Gain or (loss) recognized on other property given up. Subtract line 13 from line 12. Report the gain or (loss) in the same manner as if the exchange had been a sale	14			
Caution: If the property given up was used previously or partly as a home, see Property used as home in the instructions.					
15	Cash received, FMV of other property received, plus net liabilities assumed by other party, reduced (but not below zero) by any exchange expenses you incurred (see instructions)	15		\$65,000	
16	FMV of like-kind property you received	16		\$450,000	
17	Add lines 15 and 16	17		\$515,000	
18	Adjusted basis of like-kind property you gave up, net amounts paid to other party, plus any exchange expenses not used on line 15 (see instructions)	18		\$165,000	
19	Realized gain or (loss). Subtract line 18 from line 17	19		\$350,000	
20	Enter the smaller of line 15 or line 19, but not less than zero	20		\$65,000	
21	Ordinary income under recapture rules. Enter here and on Form 4797, line 16 (see instructions)	21		\$0	
22	Subtract line 21 from line 20. If zero or less, enter -0-. If more than zero, enter here and on Schedule D or Form 4797, unless the installment method applies (see instructions)	22		\$65,000	
23	Recognized gain. Add lines 21 and 22	23		\$65,000	
24	Deferred gain or (loss). Subtract line 23 from line 19. If a related party exchange, see instructions	24		\$285,000	
25	Basis of like-kind property received. Subtract line 15 from the sum of lines 18 and 23	25		\$165,000	

Part IV Deferral of Gain From Section 1043 Conflict-of-Interest Sales

Note: This part is to be used **only** by officers or employees of the executive branch of the Federal Government or judicial officers of the Federal Government (including certain spouses, minor or dependent children, and trustees as described in section 1043) for reporting nonrecognition of gain under section 1043 on the sale of property to comply with the conflict-of-interest requirements. This part can be used **only** if the cost of the replacement property is more than the basis of the divested property.

26	Enter the number from the upper right corner of your certificate of divestiture. (Do not attach a copy of your certificate. Keep the certificate with your records.)				
27	Description of divested property ►				
28	Description of replacement property ►				
29	Date divested property was sold (month, day, year)	29		MM/DD/YYYY	
30	Sales price of divested property (see instructions).	30			
31	Basis of divested property	31			
32	Realized gain. Subtract line 31 from line 30	32			
33	Cost of replacement property purchased within 60 days after date of sale	33			
34	Subtract line 33 from line 30. If zero or less, enter -0-	34			
35	Ordinary income under recapture rules. Enter here and on Form 4797, line 10 (see instructions)	35			
36	Subtract line 35 from line 34. If zero or less, enter -0-. If more than zero, enter here and on Schedule D or Form 4797 (see instructions)	36			
37	Deferred gain. Subtract the sum of lines 35 and 36 from line 32	37			