



## Year End

What about year end? Often investors wonder about the impact of the end of the calendar year on their exchange strategy. Although there are a few issues to watch, year-end doesn't need to cause a big change in your exchange transactions.

Mostly, it's about the deadlines. If your relinquished property transferred to your buyer after October 17<sup>th</sup>, your 180<sup>th</sup> day deadline to acquire replacement property would be scheduled for some time after April 15<sup>th</sup>, the deadline for most individuals to file their tax returns. But the due date of the return for the year in which the exchange began (or the exchange periods began to run) fixes the end of the exchange period for any exchange begun in that year. Any property acquired after the return due date would be acquired too late to be considered Replacement Property in that exchange. Proceeds still held by a Qualified Intermediary would be taxable, and due to the taxpayer.

Here is an example. Eric Exchanger relinquished property in an exchange on Monday November 3, 2009. His 45-day deadline is December 17, 2009. His 180-day deadline is calculated to be May 2, 2010. However, Tammy Adviser, his accountant, advises him that his deadline, like for most individuals, is on April 15. So, Tammy tells him his exchange period is shortened from the typical 180-day period (otherwise calculated to end on May 3, 2010) to end instead on April 15, 2010 when his return is due.

To report an exchange as part of your return, you must file a form 8824. In form 8824 the taxpayer is asked when the replacement property was acquired. Obviously, it is hard to say when it occurred, if it hasn't happened yet. Eric asked Tammy, "Can't I have the full 180 days to acquire the property?" Tammy tells him that he can, by filing an extension. Obtaining an extension to the return due date would push the new return due date much later in 2010, well beyond any possible 180 day period begun in 2009. Eric asked Tammy to file an extension, and then was able to receive the benefit of the full 180 days, ending on May 3, 2010, to acquire property.

Relieved, Eric asked if that was all he had to worry about. Tammy paused for a moment and said. "I have some corporate clients who have filing deadlines on March 15th and others other times of the year. I do a similar calculation for them, based on their return due dates compared to their deadline expirations."

Just like Eric was concerned and relieved by the return due date issue, you'll be happier if you keep track of your deadlines, return due dates and needed extensions.

If you have further questions, consult your tax adviser, or call us.

**Contact us for more information (877) 596-1031**

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