

1031 Exchanges Bridging Two Years

Full Exchange Period

The 1031 exchange period is 180-days from the closing of the Relinquished Property, or the Exchanger's Tax Return filing date, whichever comes first.

For 1031 exchanges started in the fourth quarter of the year, the Exchanger may need to file for an extension on their tax return to get the full 180-days for their 1031 exchange.



Exchange Start Date

A 1031 exchange with the Relinquished Property close date on or after **October 18, 2025** will not receive the full 180-day Exchange Period without the Exchanger filing for an extension.

NOTE: The extension does not grant the taxpayer an additional 6-months to complete their exchange, only the balance of their 180 days.

FORM 4868

To file for an extension, the Exchanger must complete IRS Form 4868 which will allow them an additional 6-months to file their Tax Return, in turn the extension allows the taxpayer their full 180-days to complete their 1031 exchange.

Unsuccessful 1031 Exchange

For an unsuccessful 1031 exchange that crosses two years, the Exchanger has the option to use Installment Sale Rules per Section 453 and report the gain in either the year of the sale of the Relinquished Property, or the year their proceeds were returned to them. Default reporting is to report the gain in the year the proceeds are returned. Potentially providing a one-year deferral on the gains.

NOTE: Section 453 rules are very specific and do not apply to all sales, so the Exchanger should review to ensure their exchange qualifies under Section 453 with their tax advisor.

FORM 6252

To follow Installment Sale Rules, the Exchanger must complete an IRS Form 6252.