

Federal tax research paper

[Finance](#), [Investment](#)



- In Sec 1031 of Internal Revenue Code, what type of stocks are not included as stock for purposes of Sec 1031 like kind exchanges?

The Internal Revenue Code subsection 1031 stipulates that you have to pay tax whenever you sell an investment property or business and gain from it. Tax is paid on the gain made at the time of sale. Under this section, a real property owner can decide to reinvest the proceeds from the sell in ownership of a like-kind property and defer the capital gain taxes. However, certain types of stocks are specifically excluded from Sec. 1031 treatment and they include: Inventory or stocks in trades, Stock bonds or notes, securities or evidence of indebtedness, interests in partnerships and certificates of trust or beneficial interests.

- In Treasury Regulation Sec 1. 1031-(k)-1, when does the identification and exchange periods start and end for purposes of a Sec 1031 like kind exchange?

The identification period begins on the date when a taxpayer transfers the surrendered property and ends on the 45th day midnight thereafter. The exchange period, on the other hand, starts on the date the taxpayer surrenders the property and ends at midnight on the 180th day thereafter.

- In Revenue Ruling. 82-166, 1982-2 CB 190:

What were the facts of the revenue calling? An individual taxpayer, who is neither a gold nor silver bullion dealer, purchased the gold bullion in the cash market and held it as investment. When the gold bullion appreciated in value in 1980, he exchanged it with the silver bullion of an equal fair market value. As a result of the exchange, the taxpayer realized a gain. The taxpayer now held the silver bullion as an investment.

What was the issue of the revenue ruling? The issue was whether an exchange of the gold bullion held for investment of the silver bullion qualifies for non-recognition of gain under IRC's Sec. 1031.

What was the IRS' conclusion to the issue in the revenue ruling? The IRS concluded that the taxpayer's exchange of gold bullion for silver bullion does not qualify for non-recognition of gain under Sec. 1031a.

What was the IRS' reasoning for its conclusion to the issue in the revenue ruling? Section 1031 states that no gain or loss is recognized if property used in a trade or held for investment is exchanged for like kind property. Gold and silver are metals that are used for different purposes. An investment in either of the metals is different from the other and hence the gold bullion and the silver bullion are not property of like kind.

- Comm v Kate J Crichton, 122 F2nd 181 (5th Cir 1941)

Summary: Land which the taxpayer held was condemned in the year 1957.

The taxpayer, in the same year, decided to expend all the proceeds of the condemnation in the construction of an office building to be held for investment purposes. The taxpayer also held two pieces of rural land (unimproved), one of which was condemned the same year. The taxpayer invested the proceeds of the condemnation in the installation of water systems, storm drains and roads in the rural land. Facts: Land and any improvements are not of the like-kind. Land is not of the same nature as the building, storm drain, water systems and roads. Issue: The main issue was whether the investment of the condemnation proceeds will qualify as like kind replacement of involuntary converted property. Court's ruling and conclusion: The investment of the proceeds from the involuntary conversion

of the unimproved land does not qualify as like kind replacement of converted property.

References

IRS. " Like Kind Exchanges Under IRC Code Section 1031." IRS. N. p., 18 Feb. 2008. Web. 21 Nov. 2014. Retrieved from <http://www.irs.gov/uac/Like-Kind-Exchanges-Under-IRC-Code-Section-1031>