

TitleOne Exchange

# 1031 Exchange with Vacation Property

## WANT TO CONVERT YOUR RENTAL OR VACATION HOME?

Occasionally, an investor may decide to live in their rental property and claim it as their primary residence.

When it is a property that has been involved in a 1031 Exchange, it could be considered a taxable event. Changing the character of the asset could result in realizing capital gains from the original sale. To fully understand the tax consequences of this action you will want to visit with an experienced CPA.



A successful conversion will blend Sections 1031 and 121 of the Internal Revenue Code to reduce or eliminate the capital gains when changing to a primary residence. To accomplish this, the property needs to be held for a minimum of two years before converting it into a primary residence and should be held for a minimum of five years before selling it again to take advantage of Section 121.