

## What is a like-kind exchange of personal property?



## How will like-kind exchanges of personal property be treated for Iowa tax purposes?



Iowa Senate File 2417, an extensive state tax reform bill to improve Iowa's tax structure signed by Iowa Governor Kim Reynolds on May 30, 2018, conforms with many provisions of the federal TCJA, but in most cases not until tax years beginning on or after January 1, 2019. Governor Reynolds also signed Iowa House File 779, a state tax bill containing various provisions, on May 16, 2019. Certain provisions of these two tax bills permit taxpayers to elect the application of IRC section 1031 as it existed prior to its amendment by the federal TCJA to defer gain or loss on exchanges of qualifying like-kind personal property completed during the tax year beginning on or after January 1, 2019, but before January 1, 2020 (tax year 2019).

Therefore, the Iowa tax treatment of like-kind exchanges of personal property will depend on the tax year involved, as follows:

**Tax years 2017 (fiscal-year filers only) and 2018:** For all taxpayers, transactions involving the disposition and acquisition of personal property that are completed after December 31, 2017, but before tax year 2019, and that would have qualified as a like-kind exchange of personal property under IRC section 1031 prior to its amendment by the federal TCJA, must be treated as a like-kind exchange of personal property for Iowa tax purposes.

**Tax year 2019:** For all taxpayers, transactions involving the disposition and acquisition of personal property that are completed during tax year 2019 and that would have qualified as a like-kind exchange of personal property under IRC section 1031 prior to its amendment by the federal TCJA may, at the election of the taxpayer, be treated as a tax-deferred like-kind exchange of personal property for Iowa tax purposes. Such an election, when made, will only apply to the transactions and personal property involved in the like-kind exchange, and the taxpayer may elect or not elect to treat other qualifying transactions as a like-kind exchange for Iowa purposes.

Any eligible transactions involving like-kind personal property that a taxpayer does not elect to treat as a tax-deferred like-kind exchange will be treated for Iowa tax purposes in the same manner as they are for federal tax purposes.

**Tax years 2020 or later:** For all taxpayers, transactions occurring in tax years beginning on or after January 1, 2020, that involve like-kind personal property will not be eligible for the deferral of gain or loss under IRC section 1031 prior to its amendment by the federal TCJA, and will be treated for Iowa tax purposes in the same manner as they are for federal tax purposes.

The Department has created the [IA 8824 worksheet](#) for use in tax years 2017, 2018, and 2019, to aid taxpayers in applying and documenting like-kind exchanges of personal property for Iowa tax purposes, and in calculating and reporting the required Iowa income tax adjustments resulting from such exchanges. Taxpayers who elect a tax-deferred like-kind exchange of personal property for tax year 2019 will do so by completing the IA 8824 worksheet and making the necessary Iowa income tax adjustments on the Iowa tax return. Taxpayers are not required to include this worksheet with their tax return, but should keep it for their records. Taxpayers are responsible for providing documentation of a qualifying like-kind exchange of personal property at the Department's request.

More information on electing the application of IRC section 1031 prior to its amendment by the federal TCJA to like-kind exchanges of personal property in tax year 2019 by taxpayers will be provided by the Department in the near future on an updated IA 8824 worksheet and in administrative rules.