

810-3-8-.02 Like-Kind Exchanges of Property Held for Productive Use in Trade or Business or for Investment.

(1) If an exchange of property occurring after December 31, 1984, satisfies the requirements of 26 U.S.C. § 1031, relating to like-kind exchanges, then the amount of gain or loss recognized in the exchange shall be determined in accordance with 26 U.S.C. § 1031. For interpretation of federal statutes adopted by the Alabama Legislature see Rule 810-3-1.1-.01, Operating Rules.

(2) Transactions occurring prior to January 1, 1985: As used in §40-18-8(b)(1), Code of Alabama 1975, the words "like kind" have reference to the nature of the property and not to its grade or quality. One kind or class of property may not, under such subsection, be exchanged for property of a different kind or class. The fact that any real estate involved is improved or unimproved is not material, for such fact relates only to the grade or quality of the property and not to its kind or class. Unproductive real estate held by one, other than a dealer, for future use or future realization of the increment in value comes within the meaning of this subsection.

(a) No gain or loss is recognized if:

1. a taxpayer exchanges property held for productive use in his trade or business, together with cash, for other property of like kind for the same use, such as a truck for a new truck to be used for a like purpose, or

2. a taxpayer, who is not a dealer in real estate, exchanges city real estate for a farm, or improved real estate for unimproved real estate, or

3. a taxpayer exchanges investment property and cash for investment property of a like kind.

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Authority: §§40-2A-7(a)(5) and 40-18-8, Code of Alabama 1975

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