

News Column

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## 1031 Exchange Requirements

I learned as a very young child that my daddy knew everything. No matter the question, whether it be about cooking, fishing, farming, or politics, my dad knew the answers!

Expertise in politics is actually something Dad seemed to gain as he got older, and I'm sure I didn't care much about politics when I was a child. Yet, I had a pretty good idea whether I was a Democrat or a Republican by age five.

By age five, when I was a young first grader, I also knew where I was going to college,.... and I was amazed and appalled that my first grade classmates didn't know if they were even going to college. But, that's another story.

My point is this,....Dad was my answer man. If I had a question in school, I'd go home and ask dad. When I wanted to know about the Apollo space missions, I asked Dad. And when I wanted to know about farming, I asked Dad.

We had a set of encyclopedias in the house and you'd sometimes catch my dad sitting on the couch reading one of them, maybe all afternoon or half the night. He watched the 10:00 o'clock news every night, and I think he was just a sponge or knowledge.

Now that Dad has passed, I find myself in a new place. I can no longer access his impartial and educated view of nearly all subjects. And, I admit that I sometimes miss his late-in-life, too-much-Fox News, view of politics.

Without Dad, I'm stuck with Facebook and the internet as my unbiased and educated

sources of all knowledge. If it's on the internet, then it has to be true! Right?

I turned to the internet today when I wanted to gain just enough knowledge about 1031 exchanges to entice you to want to attend our next coffee shop agronomy meeting. Then, as I started wading through page after page of information, I began to wonder how much of it was accurate. By that, I mean current, because there were some changes in the law in 2017.

In the simplest terms, a 1031 exchange involves trading one piece of real estate for another piece of real estate. The term 1031 exchange gets its name from section 1031 of the U.S. Internal Revenue Code. Section 1031 is where you will find the rules for exchanging real estate without incurring a large tax liability.

If you are a farmer, you might be interested in a 1031 exchange so you can trade a quarter section of land 20 miles from home for the one across the road from your house,....without having to pay capital gains tax on the land that you may have owned for 30 years and purchased for a third of what it would sell for today.

It all sounds pretty simple and you ought to be able to just shake hands with neighbor Joe, sign a couple of documents, and the deal is done. However, there is something in the rules about a “qualified intermediary” that sets off alarms in my head.

This is the point where I realize that I'm in over my head and I need talk to an expert. Dad probably would have known the answers, but I still would have looked for another trusted source of information to be sure I was on target. While it is easy – and always available – the internet isn't what I would consider to be a trusted source.

For our next coffee shop agronomy meeting, Mark Dikeman is the source I've chosen to help me understand this topic — 1031 Exchanges. Mark is the Associate Director of the Kansas Farm Management Association. His title alone doesn't tell you that Mark knows what he's

talking about, but I'm willing to say it. Mark knows his stuff.

Dikeman will be the featured presenter at the February 21 Coffee Shop Agronomy meeting. The meeting will run from 10:30 a.m. to noon at Nelson's Landing in Leonardville. Topics discussed will be 1031 Exchange Requirements and the Merits of Different Types of Entities.

I hope to see you there.

If you have questions, or want to let us know you're coming, you can reach me at the Riley County Extension Office at 785/537-6350. Or, you can send e-mail to [gmclure@ksu.edu](mailto:gmclure@ksu.edu).

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