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their properties.

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For many real estate investors, there comes a point in their lives where they no longer want to be bothered with the headaches that come with actively managing their properties. However, they also don't want to give up the income stream and tax benefits they have enjoyed because of these investments. So what should they do? While some of these investors have probably used a 1031 property exchange to defer taxes while readjusting their holdings previously, many may not realize this section of the tax code can also be used to help them go from being an active real estate investor to a less-involved real estate owner.

The reason that 1031 exchanges continue to be popular with investors is because of

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goals.

### **Investors Still Need Help Figuring Out the Tax Code**

Revising the tax code was supposed to make it simpler, but there's still considerable confusion for many taxpayers around things like 1031 exchanges, the primary home exemption rules, deductions for charity, interest on credit cards and other things that are no longer permissible. Lack of understanding around aspects of the tax code and what is still allowable presents an excellent opportunity for CPAs and CPA advisors to demonstrate their expertise in a complicated subject.

Before the updated tax law, 1031 exchanges could be used on other assets like classic automobiles and fine art. Now, 1031s are limited to real estate only, but that doesn't mean exchanges have to be made for the same type of property. Your client can transfer their capital from vacant land to a public storage facility, from a single-family dwelling to an apartment house, or from a warehouse to a parking lot, as

While real estate remains a highly protected asset class, advisors play a critical role when it comes to helping their clients understand the tax considerations of such assets. When working with clients who are looking to step back from an active real estate owner role, I'd encourage advisors to educate them about the different options and tax-related advantages available through a 1031 property exchange so they can continue to grow their wealth.

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