CE FOR PROFESSIONAL ADVISORS

Rental Property to Stocks, Tax-Deferred: A Guide to IRC Sections 1031–721

A path for clients who are ready to step away from managing property

1.0 hours of CE for CFP®, CPA, and Enrolled Agents Professionals

About the program

Many longtime rental owners are ready to be done with tenants, repairs and late-night calls, but the tax bill keeps them from selling. A 1031 exchange can defer the tax, but it usually means buying another property to manage.

This CE Approved program explains a lesser-known path. Combined with a 1031, a 721 exchange can move a client from hands-on rental property into an ownership interest in a real estate investment trust (REIT) on a tax-deferred basis. We walk through how the two sections work together, which properties and investments are eligible, the steps involved, and the pitfalls to avoid.

Case studies show how this strategy can fit into a client's broader plan, along with the trade-offs to weigh, including liquidity, control and concentration in a single REIT.

You'll leave with a clear picture of how a 1031–721 exchange works, and the role other professionals play in carrying one out.

Key takeaways

- How Sections 1031 and 721 work together to move a client from real estate into a REIT, tax-deferred
- Which properties and investments are eligible
- The step-by-step process of a 1031–721 exchange
- Key tax implications, and the trade-offs to weigh
- Case studies showing how the strategy can fit within a client's broader plan