Internal Revenue Service, Treasury

Basis of property acquired upon
the exchange ................................ 175,000

§ 1.1031(e)–1 Exchange of livestock of
different sexes.

Section 1031(e) provides that live-
stock of different sexes are not prop-
erty of like kind. Section 1031(e) and
this section are applicable to taxable
years to which the Internal Revenue
Code of 1954 applies.

[T.D. 7141, 36 FR 18792, Sept. 22, 1971]

§ 1.1031(j)–1 Exchanges of multiple
properties.

(a) Introduction—(1) Overview. As a
general rule, the application of section
1031 requires a property-by-property
comparison for computing the gain rec-
ognized and basis of property received
in a like-kind exchange. This section
provides an exception to this general
rule in the case of an exchange of mul-
tiple properties. An exchange is an ex-
change of multiple properties if, under
paragraph (b)(2) of this section, more
than one exchange group is created. In
addition, an exchange is an exchange of
multiple properties if only one ex-
change group is created but there is
more than one property being trans-
ferred or received within that exchange
group. Paragraph (b) of this section
provides rules for computing the
amount of gain recognized in an ex-
change of multiple properties qual-
ifying for nonrecognition of gain or loss
under section 1031. Paragraph (c) of
this section provides rules for com-
puting the basis of properties received
in an exchange of multiple properties
qualifying for nonrecognition of gain
or loss under section 1031.

(2) General approach. (i) In general,
the amount of gain recognized in an ex-
change of multiple properties is com-
puted by first separating the properties
transferred and the properties received
by the taxpayer in the exchange into
exchange groups in the manner de-
scribed in paragraph (b)(2) of this sec-
tion. The separation of the properties
transferred and the properties received
in the exchange into exchange groups
involves matching up properties of a
like kind of like class to the extent
possible. Next, all liabilities assumed
by the taxpayer as part of the trans-
action are offset by all liabilities of
which the taxpayer is relieved as part
of the transaction, with the excess li-
babilities assumed or relieved allocated
in accordance with paragraph (b)(2)(ii)
of this section. Then, the rules of sec-
tion 1031 and the regulations there-
derunder are applied separately to each
exchange group to determine the
amount of gain recognized in the ex-
change. See §§1.1031(b)–1 and 1.1031(c)–1.
Finally, the rules of section 1031 and
the regulations thereunder are applied
separately to each exchange group to
determine the basis of the properties
received in the exchange. See
§§1.1031(d)–1 and 1.1031(d)–2.

(ii) For purposes of this section, the
exchanges are assumed to be made at
arms’ length, so that the aggregate fair
market value of the property received
in the exchange equals the aggregate
fair market value of the property
transferred. Thus, the amount realized
with respect to the properties trans-
ferred in each exchange group is as-
sumed to equal their aggregate fair
market value.

(b) Computation of gain recognized—(1)
In general. In computing the amount
of gain recognized in an exchange of mul-
tiple properties, the fair market value
must be determined for each property
transferred and for each property re-
ceived by the taxpayer in the exchange.
In addition, the adjusted basis must be
determined for each property trans-
ferred by the taxpayer in the exchange.

(2) Exchange groups and residual
group. The properties transferred and
the properties received by the taxpayer
in the exchange are separated into ex-
change groups and a residual group to
the extent provided in this paragraph
(b)(2).

(i) Exchange groups. Each exchange
group consists of the properties trans-
ferred and received in the exchange, all
of which are of a like kind or like class.
If a property could be included in more
than one exchange group, the taxpayer
may include the property in any of
those exchange groups. Property eligi-
ble for inclusion within an exchange
group does not include money or prop-
erty described in section 1031(a)(2) (i.e.,
stock in trade or other property held
primarily for sale, stocks, bonds, notes,