

DOES YOUR SHORT-TERM RENTAL / VACATION HOME QUALIFY FOR A TAX-DEFERRED 1031 EXCHANGE?

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Are you wondering if you qualify for the tax advantages of a 1031 Exchange when you sell your vacation rental home?

There are [six criteria to receive the 1031 Exchange tax benefit](#). The key with an Airbnb is your intent to hold for productive use. With this type of investment, you must clearly demonstrate your investment motivation to primarily rent it and make money.

Real estate that qualifies for the powerful tax deferral of the 1031 exchange must be property that you intend to hold for productive use. Renting out your property exclusively as a short-term rental clearly demonstrates the intent of generating income. Occasionally renting out your property and primarily using it for personal benefit is not. And then, there are the gray areas in between. If you want to 1031 Exchange out of your rental property into something else, you should keep in mind your intent and how you would demonstrate that. There is no statutory list of requirements that you must fulfill but a good place to start is the safe harbor established by the [IRS](#).

- The dwelling unit is owned by the taxpayer for at least 24 months immediately before the exchange (the “qualifying use period”).
- Within the qualifying use period, in each of the two 12-month periods immediately preceding the exchange, the taxpayer rents the dwelling unit to another person or persons at a fair rental for 14 days or more.
- The period of the taxpayer’s personal use of the dwelling unit does not exceed the greater of 14 days or 10 percent of the number of days during the 12-month period that the dwelling unit is rented at a fair rental.

Selling a vacation rental that meets the above parameters can qualify for a 1031 Exchange tax deferral. However, this is not the only scenario that would potentially qualify to establish intent. Read more on intent [here](#). Always talk to your personal tax adviser regarding your particular circumstances before taking any action.

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