

1031 EXCHANGE • TEXAS • CHECKLIST

How to do a 1031 exchange in Texas, *step by step*.

Section 1031 is federal law and Texas adds no exchange statute of its own. The rules below are the national rules with the Texas details built in. Two clocks start on your closing day; the decisions that protect the exchange are made well before you list.

DAY 0

Closing

The deed transfers and the intermediary receives the proceeds. Both clocks start.

BY DAY 45

Identify

Replacement property named in a signed written notice delivered to the intermediary. Midnight on day 45 locks the list.

BY DAY 180

Close

Or your tax return due date, whichever comes first. File the extension if you need all 180 days.

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| ☐ | STEP 01
Well before you list | Know your adjusted basis (what you paid plus the cost of improvements, less the depreciation taken), the debt to replace, and the gain in each layer. Confirm the property qualifies (investment or business use, not your homestead) and how it is owned; an LLC or corporation brings the franchise tax into the picture, and rent does not make it a passive entity. Start when you first ask whether the property is still earning its keep, not when the listing goes up. |
| ☐ | STEP 02
The Texas check | If the land carries agricultural or open-space valuation, know what a change of use would cost in rollback and settle in the contract who bears it. If the sale includes mineral or royalty interests, have them classified: royalties are real property and can be exchanged, production payments are not. |
| ☐ | STEP 03
Before you close | Engage the qualified intermediary and sign the exchange agreement. Once the proceeds reach your account, no exchange is possible for that sale. Tell your title company the sale is an exchange so the settlement statement and deed are prepared accordingly. |
| ☐ | STEP 04
Closing day | The deed transfers, the recording fee is paid (no transfer tax in Texas), and the intermediary receives the proceeds. Both clocks start today. |
| ☐ | STEP 05
By day 45 | Identify up to three replacement properties in a signed written notice to the intermediary. Midnight on day 45 locks the list. Use all three slots: two real targets and the fallback described below. |
| ☐ | STEP 06
By day 180 | Close on the replacement. Budget on a full market-value appraisal, not the seller's bill, and on equal or greater value and debt so nothing comes back as boot. If day 180 falls after your return is due, file the extension first. |
| ☐ | STEP 07
Next spring | Your CPA files Form 8824 with the return for the year of the sale. No Texas return for an individual; an entity files its franchise tax report on the usual schedule. |

The third slot is the exchange's insurance.

Most sellers name two targets and leave the third slot empty. The fallback belongs there: a replacement you could close on without a new search, sized to your sale and arranged with about two weeks of runway before the clock starts. It is a tax-planning step, not a listing your agent earns a commission on, so making sure it is in place is our job, not theirs. It is what keeps a failed inspection at day 60 from turning into a tax bill.

The Texas layer

- No state income tax and no state capital gains tax; the Texas Constitution bars both. The federal tax is still owed unless deferred.
- No transfer tax on the deed. A flat recording fee, not a percentage of the price.
- Property is appraised at market value every year. The first bill on what you buy is at full value; budget on that, not the seller's bill.
- Agricultural rollback: a change of use claws back three years of tax difference plus interest, and the lien follows the land. Settle who pays before closing.

What we do, and when

Your agent runs the sale and the search, the title company runs the closing, the intermediary holds the money, and your CPA files Form 8824. None of them owns the question of whether the exchange protects your equity, what the tax looks like if it fails, and what the fallback is when your targets fall through. That is our job, decided before you list, not at day 44.

Being taken for a pipeline or highway? Then you are probably on the Section 1033 clock instead: two to three years to replace, no intermediary, and no agricultural rollback on a condemnation sale. That is our core practice.

(877) 4LNDTAX (456-3829)

Schedule a free call: landandtaxstrategies.com/contact. We confirm your situation and tell you whether we can help. No obligation.