

DATE: [Insert Date]

TO: [Client Name/Taxpayer Name]
[Client Address]

RE: Opinion Letter regarding Partial Tax Deferral and "Boot" in Section 1031 Like-Kind Exchange

Dear [Client Name],

1. PURPOSE

You have requested our legal/tax opinion regarding the federal income tax consequences of a proposed Section 1031 exchange involving the sale of [Relinquished Property Description] and the acquisition of [Replacement Property Description]. Specifically, this letter addresses the tax treatment of "boot" and the resulting partial tax deferral.

2. TRANSACTION SUMMARY

Based on the documentation provided, the Taxpayer intends to transfer the Relinquished Property for a total consideration of \$[Amount]. The Taxpayer will acquire Replacement Property for a total consideration of \$[Amount]. In this transaction, the Taxpayer will receive [Cash/Mortgage Relief] in the amount of \$[Amount], which constitutes "boot."

3. APPLICABLE LAW

Internal Revenue Code (IRC) Section 1031 allows for the deferral of gain if property held for productive use in a trade or business or for investment is exchanged solely for property of like-kind. Under IRC Section 1031(b), if an exchange would otherwise qualify but for the fact that the property received includes money or non-like-kind property (boot), then gain shall be recognized, but in an amount not in excess of the sum of such money and the fair market value of such other property.

4. OPINION

Based upon the facts presented, it is our opinion that:

- a) The transaction qualifies as a like-kind exchange under IRC Section 1031.
- b) Because the value of the Replacement Property is less than the Relinquished Property (or because cash was retained), the Taxpayer will recognize taxable gain to the extent of the "boot" received.
- c) The remainder of the realized gain will be deferred according to Section 1031 guidelines.
- d) The basis of the Replacement Property will be adjusted downward by the amount of the unrecognized gain.

5. LIMITATIONS

This opinion is based on the Internal Revenue Code, Treasury Regulations, and administrative rulings as of the date of this letter. This letter is intended solely for the benefit of the addressee and may not be relied upon by any other party.

Sincerely,

[Signature]

[Name of Firm/Tax Advisor]

[Title]