



# §1031 BASIS ALLOCATION WORKSHEET

Replacement Property Depreciation Analysis  
(Supplement to §1031 Recapitulation Worksheet Form 354)

Prepared by: Agent \_\_\_\_\_  
Broker \_\_\_\_\_

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Email \_\_\_\_\_

**NOTE:** This form is used to determine the annual depreciation deduction to be entered on APOD **ft** Form 352 to set the after-tax return on property to be acquired.

**DATE:** \_\_\_\_\_, 20\_\_\_\_\_, at \_\_\_\_\_, California.  
*Items left blank or unchecked are not applicable. References to forms includes their equivalent.*

Prepared by: \_\_\_\_\_

Property sold or exchanged: \_\_\_\_\_

Replacement property: \_\_\_\_\_

**1. Cost basis** allocable between replacement property and cash items received:

1.1 Enter the cost basis for all replacement properties as calculated on **ft** Form 354 at line 5.5. . . . . \$ \_\_\_\_\_  
(If no unqualified property or carryback note was received for the property sold, go to line 4.1)

**2. Priority allocation of basis to installment note carried back on the property sold:**

2.1 Enter the **cost basis carried forward** from the property sold (as shown on **ft** Form 354 at line 3.7) . . . . . \$ \_\_\_\_\_  
2.2 Enter the **debt relief** on the property sold. . . . . (-)\$ \_\_\_\_\_  
2.3 **Cost basis of note:** If the amount of line 2.1 exceeds the amount of line 2.2, enter the difference, limited to the amount of the note (as shown on **ft** Form 354 at line 1.5) . . . . . (-)\$ \_\_\_\_\_

**3. Priority allocation of basis to unqualified property received:**

3.1 Enter the amount of the **equity** in the unqualified property received (as shown on **ft** Form 354 at line 1.6). . . . . (-)\$ \_\_\_\_\_  
3.2 Enter the amount of any **debt** which encumbers the unqualified property received. . . . . \$ \_\_\_\_\_  
3.3 **Cost basis for unqualified property:** Enter the total of line 3.1 plus 3.2 to set the cost basis in the unqualified property received in exchange for the property sold. . . . . \$ \_\_\_\_\_

**4. Allocation of the remaining cost basis to §1031 Replacement Property:**

4.1 Enter the sum of line 1.1 minus lines 2.3 and 3.1 as the cost basis of all **§1031 Replacement Property** received. . . . . (=)\$ \_\_\_\_\_

4.2 Allocation of basis between **two or more §1031 Replacement Properties:**

	Property 1	Property 2	
a. <b>Identification:</b>			
(Enter an identification for each §1031 property received)			
b. <b>Allocation for debt:</b>	\$ _____	\$ _____	(-)\$ _____
(Enter the amount of debt assumed on each property 1 and 2.) (Enter the total of the debts assumed on both properties.)			
c. <b>Basis to be allocated:</b>			\$ _____
(Enter the amount at line 4.1 minus the total from line 4.2 b.)			
d. <b>Equity valuation:</b>	\$ _____	\$ _____	(=)\$ _____
(Enter the <b>equity value</b> given each property 1 and 2.) (Enter the total value of the equities in both properties.)			
e. <b>Equity ratios:</b>	_____ %	_____ %	= _____ 100%
(Enter the percentage of each property's pro rata share of the total value of all equities from line 4.2 d.)			
f. <b>Allocation for equity:</b>	\$ _____	\$ _____	
(Enter the amount of each property's pro rata share of line 4.2 c. based on line 4.2 e. percentages.)			
g. <b>New cost basis:</b>	\$ _____	\$ _____	
(Enter the total of the amounts allocated to each property at line 4.2 b. and 4.2 f.)			

5. Depreciable cost basis for a **single replacement property**:

5.1 Enter the percent of the replacement property's market value represented by the market value of its improvements. . . . . \_\_\_\_\_ %

5.2 **Depreciable Cost Basis:** Enter that portion of the basis at line 4.1 (or 4.2 g.) which represents the percentage of value attributable to improvements at line 5.1 . . . . . \$ \_\_\_\_\_

6. Depreciation deduction from income for each year of ownership:

6.1 **Depreciation Schedule:** Enter the number of years for recovery of the cost of improvements. . . . . \_\_\_\_\_ years  
(27.5 years for residential; 39 or 40 years for nonresidential)

6.2 **Annual Depreciation Deduction:** Enter the result of dividing the depreciable cost basis at line 5.2 by the number of years at line 6.1 . . . . . = \$ \_\_\_\_\_  
(Enter this amount on APOD **ft** Form 352 as the annual depreciation deduction for the replacement property)

6.3 The estimated annual depreciation deduction at line 6.2 is probably understated. From the property sold, the amount of the annual depreciation deduction and the years remaining on the recovery period at the time of sale are carried forward (as is the cost basis) and reported as the *depreciable exchange basis* for the replacement property (or reported as extended 11.5 years if the property sold was residential property and the replacement property is nonresidential). Any upward adjustment in the depreciable basis in the replacement property over the remaining depreciable exchange basis from the property sold (due to a trade up into the replacement property) is separately set up as the replacement property's *excess depreciable basis*, and is deductible over the 27½- or 39-year depreciation schedule applicable to the replacement property.