

Free 721 UPREIT Seller Checklist

Selling an investment property? Start with these 12 questions.

Use this worksheet with your own CPA and attorney. Mark each topic: Discussed / Need more information / Concern. This is a discussion guide, not a suitability score.

1. How is your property used and titled?

If a 1031 exchange is part of your route, confirm investment/business real-estate requirements with your advisors. Section 721 has separate rules; do not assume that all contributions have the same requirements as a 1031 exchange.

2. What is your adjusted basis and estimated taxable gain?

Ask your CPA to reconcile purchase costs, improvements and depreciation records before comparing a sale with a contribution.

3. How would debt affect the transaction?

Review existing loans, debt relief and your projected share of partnership liabilities. Debt changes can affect basis and may create taxable gain.

4. Which states may require tax payments or reporting?

Ask your CPA to review the property's location, your residence and any prior exchanges. Moving or replacing property across state lines does not necessarily remove the original state's reporting requirements.

5. Are you ready to give up direct property management and control?

Review who will decide leasing, financing, sales and other operating matters.

6. Do you understand the interest you would receive?

OP units are interests in an operating partnership, not direct title to each portfolio property. Read the actual ownership and voting provisions.

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7. Does the actual portfolio match your objectives?

Review property and market concentration, fees, leverage and conflicts. Diversification does not eliminate loss or guarantee a suitable investment.

8. Have you discussed inheritance with your estate attorney and CPA?

Inherited partnership interests may receive a basis adjustment. An heir's outside basis is distinct from the partnership's inside basis; any Section 754 election or required adjustment and future tax outcomes need separate review.

9. Can you manage without access to this capital?

Review lockups, redemption limits, transfer restrictions and sponsor discretion. Do not assume a redemption request will be accepted when you need cash.

10. Do you understand the tax consequences of an eventual exit?

Selling or exchanging OP units can create tax. OP units generally cannot serve as replacement real property in a subsequent Section 1031 exchange.

11. Can you handle changing distributions and tax reporting?

Distributions are not guaranteed. Ask how K-1 income allocations and cash distributions may differ, including possible taxable income without cash.

12. Have you confirmed offering eligibility, decision rights and deadlines?

Accreditation depends on the securities offering, not a universal Section 721 requirement. For a 1031 route, have your QI confirm applicable identification and completion deadlines. A DST-to-UPREIT transition is not assured: read who can approve or require it and what happens if it never occurs.

Your next conversation

Mark each question: Discussed / Need more information / Concern. Focus first on unresolved liquidity, debt, tax and decision-rights questions. Compare keeping the property, selling and paying tax, and other available routes with your advisors. No number of favorable answers establishes suitability.

Gather purchase closing records, improvement and depreciation records, mortgage statements, an estimated sale price and any QI agreement. Discuss secure delivery of tax returns with your advisor; do not submit them through an ordinary inquiry.

Questions? 888-606-1031 | 721upreitpros.com