JAMES G. DIBBINI & ASSOCIATES, P.C.
Attorneys At Law
TRUST. COMMITMENT. INTEGRITY.

Understanding DSTs: A Strategic Tool for 1031 Exchanges

At James G. Dibbini & Associates, P.C., we are committed to helping our clients make informed decisions when it comes to managing and growing their real estate investments. One increasingly popular tool available to investors, particularly those seeking to defer capital gains taxes through a 1031 exchange, is the Delaware Statutory Trust (DST).

What is a DST?

A Delaware Statutory Trust is a legally recognized trust that allows multiple investors to own fractional interests in institutional-quality real estate. Created under Delaware law but usable in any state, a DST can hold assets such as apartment buildings, medical facilities, office parks, and retail centers. Investors become beneficial owners of the real estate held in the trust, receiving a proportionate share of the income, tax benefits, and potential appreciation. Most importantly, DSTs are considered "like-kind" property by the IRS and are eligible for use in a 1031 exchange, pursuant to IRS Revenue Ruling 2004-86.

Why Consider a DST?

DSTs offer a number of strategic advantages, especially for those looking to complete a 1031 exchange:

- Tax Deferral: Reinvest proceeds from the sale of real estate into a DST to defer capital gains taxes.
- Passive Investment: DSTs are professionally managed, allowing investors to step away from the day-to-day responsibilities of being a landlord.
- Diversification: With relatively low minimum investment amounts, investors can spread risk across multiple properties or geographic regions.
- Estate Planning Benefits: DST interests can be passed to heirs and may receive a step-up in basis, reducing or eliminating capital gains liability.

Important Considerations

While DSTs provide valuable benefits, they may not be appropriate for every investor. Some key factors to consider:

- Lack of Control: Investors do not have voting rights or input into property management decisions.
- Illiquidity: DST investments are long-term (typically 5-10 years) and not easily sold.
- No Additional Contributions: DSTs cannot accept new debt or capital once established.
- Market Risk: Like any real estate investment, DSTs are subject to market conditions and performance risk.

Who Can Benefit?

DSTs are particularly attractive to:

- Property owners seeking to complete a 1031 exchange while stepping back from active management.
- Retirees looking for stable, passive income.
- Investors interested in estate and tax planning strategies.

Our Role

At James G. Dibbini & Associates, P.C., we assist our clients in evaluating whether a DST is an appropriate option based on their unique investment goals, tax situation, and long-term plans. We work closely with financial advisors, CPAs, and qualified intermediaries to ensure our clients meet all requirements for a successful 1031 exchange.

If you're considering selling investment property and want to explore DSTs as a reinvestment option, contact our office today to schedule a consultation.

The attorneys at James G. Dibbini & Associates, P.C. collectively have over 60 years of experience providing legal services in the areas of:
-Landlord & Tenant Law
-DHCR Representation
-Business Formations
-Commercial & Residential Real Estate Closings
-General Business Law
-Civil Litigation
-Zoning Issues and Variances
-Housing and Building Code Violation Matters
-Wills, Trusts & Estates

James G. Dibbini & Associates, P.C.

570 Yonkers Avenue

Yonkers, NY 10704

(914) 240-8270