

Boot definitions:

What is Boot?

Boot is any property received by the taxpayer in the exchange which is not like-kind to the relinquished property. Boot is characterized as either "cash" boot or "mortgage" boot. Realized Gain is recognized to the extent of net boot received.

What is Mortgage Boot?

Mortgage Boot consists of liabilities assumed or given up by the taxpayer. The taxpayer pays mortgage boot when he assumes or places debt on the replacement property. The taxpayer receives mortgage boot when he is relieved of debt on the replacement property. If the taxpayer does not acquire debt that is equal to or greater than the debt that was paid off, they are considered to be relieved of debt. The debt relief portion is taxable, unless offset when netted against other boot in the transaction.

What is Cash Boot?

Cash Boot is any boot received by the taxpayer, other than mortgage boot. Cash boot may be in the form of money or other property.

What are the boot "netting" rules?

- Cash boot paid offsets cash boot received
- Cash boot paid offsets mortgage boot received (debt relief)
- Mortgage boot paid (debt assumed) offsets mortgage boot received
- Mortgage boot paid does not offset cash boot received