1031 Exchanges Made Easy

A GUIDE TO SECTION 1031 TAX-DEFERRED EXCHANGES

Section 1031 of the Internal Revenue Code allows the deferral of gain on the sale and subsequent purchase of real property used for business use or investment. An exchange is much like a typical sale followed by an acquisition within 180 days but with a few rules attached.

BENEFITS OF AN EXCHANGE

This often overlooked tax strategy can help you accomplish many short and long-term real estate objectives:

- Immediate tax deferral
- Ability to acquire real estate with pre-tax dollars
- Long-term appreciation on tax deferral
- Estate preservation as deferred gain may be forgiven upon death
- Less management responsibility
- Consolidation of properties
- Greater selling and buying power
- Increased income potential
- Relocation or expansion of business facilities
- Diversification of assets or geographic locations
- Conversion to personal use property after a period of qualified use
- Exit strategy for business owners

REQUIREMENTS OF A SUCCESSFUL 1031 EXCHANGE

- Both the relinquished (old) and replacement (new) properties must be held for business use or investment. Any kind of real estate can be exchanged for any other kind of real estate and you can sell or acquire multiple properties. The properties can be located anywhere within the United States or in some U.S. territories.
- The replacement property must be identified within 45 days of the date the relinquished property is conveyed to your buyer. To identify, you simply need to send a signed letter to the Qualified Intermediary (QI) and list the property or properties you are interested in acquiring. Note there are rules regarding the number of properties you can identify.
- You must acquire your identified replacement property within 180 calendar days of the closing of your relinquished property. You do not have to acquire every property identified.
- Both the relinquished and replacement properties must be owned by the same party.
- The replacement property must be of equal or greater value and equity than the relinquished property. A trade down in either equity or value is taxable.
- A Qualified Intermediary (QI), such as 1031 CORP., must be used to facilitate the transaction. A QI is an independent party that has not acted as your real estate professional, attorney, accountant or financial advisor within the past two years and is not your employee, partner or close relative.

ROLE OF THE QI

1031 CORP. handles all documentation, provides reminders of time deadlines, holds the exchange proceeds and coordinates all details with your REALTOR®, attorney, CPA and closing/escrow agents. We deposit the exchange proceeds in an interest-bearing FDIC insured account for the benefit of the Exchanger until the replacement property is acquired. 1031 CORP. strives to keep the exchange transaction easy for all parties.

INITIATING YOUR 1031 EXCHANGE

An exchange must be set up prior to the closing of your relinquished property. It is recommended you initiate your exchange as soon as you have signed your Agreement of Sale with a buyer.

We can help you get started.

ABOUT 1031 CORP.

- National Qualified Intermediary (QI) and Exchange Accommodation Titleholder (EAT) offering 1031 services;
- Delayed, reverse and improvement exchanges;
- Exchange funds held in interest-bearing, FDIC-insured segregated accounts and taxpayer can view balance on bank's website;
- Exchanges facilitated by exchange professionals including, Certified Exchange Specialists® (CES®), familiar with local real estate and title practices;
- Multi-million dollar fidelity bond and E&O coverage; and
- Educational seminars and continuing education courses available.

1.800.828.1031 **www.1031 CORP.com**

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