

1031 Exchange Services, LLC

Qualified Intermediary Services
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1031 Exchanges allow you to defer the capital gains tax due on the sale of investment property, but the IRS does have specific rules for the exchange...

...and you must follow the strict guidelines they set forth. You need to follow seven primary rules for your exchange to meet stringent IRS regulations:

1 Real Property Use: Both your old and new properties must qualify as investment or business use. When both properties pass this test, you can exchange nearly any type of real estate.

2 Reinvestment Requirement: To defer all of your capital gain tax, you must buy a property equal or higher in value than the one you sold. All of the cash proceeds from your sale must be reinvested. Additionally, if you have debt on the old property, you must have at least that much debt on the new property.

3 Qualified Intermediary (QI): The IRS mandates that you use a QI to prepare the legal documents for your exchange. The QI will hold the proceeds from the sale, so that you do not have access to the funds, which would disqualify the 1031. Because the QI must be independent, it cannot be your attorney, the closing attorney, broker, friend, employee, relative or even your accountant.

4 Sales Contract: The sales contract, whether you are the buyer or seller, must include verbiage that a 1031 exchange will be completed.

5 Proper Title Holding: You must purchase and take title to your new property exactly as you held title to your old property: joint ownership to joint ownership, single ownership to single ownership, partnership to partnership.

6 45-Day Identification Period: You have 45 days from the closing of your sale to list the properties you may want to buy. General rules allow you to identify up to 3 properties. There are no exceptions to the deadline, even if the 45th day is a holiday or falls on a weekend.

7 180-Day Exchange Period: From the sale closing date, you have 180 days to close on the purchase of one or more properties from the 45-day list. As with the 45-day list, there are no exceptions to this deadline.

The regulations, court cases, and IRS rulings that apply to your exchange are ever changing. It is important to choose a qualified intermediary like 1031 Exchange Services, LLC that understands these laws and carefully monitors new legal developments.

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