1031 EXCHANGE SERVICES

Utilizing the industry's only 1031 Workflow Technology, Exchange Manager Pro℠ supported by Accruit, a national, leading Qualified Intermediary

Clients seeking 1031 exchange services can now leverage Exchange Manager Pro℠, the industry's only 1031 exchange workflow technology, and the processing capabilities of one of the nation's leading Qualified Intermediaries, Accruit, an Inspira Financial Solution.

ABOUT US

FC Settlement offers nationwide title services, helps establish title agencies for New York attorneys, and provides back-office solutions designed to streamline operations, support growth, and ensure successful closings. We're happy to add 1031 Exchange services to the ways which we help to support our clients. Through FC 1031, our clients can take advantage of a highly knowledgeable 1031 exchange intermediary without the hassle of searching for one in the marketplace.

FINANCIAL SECURITY*

Fidelity Bond	Errors & Omissions	Cyber Liability
$50M	$25M	$20M

SOLUTION KNOWLEDGE*

Ability to facilitate all types of 1031 Exchanges including Forward, Reverse, Build-to-Suit, Improvement, and Specialty "Non-Safe Harbor" Transactions

Provides access to highly credentialed team of 1031 Exchange experts including 1031 attorneys, CPAs, and Certified Exchange Specialists (CES®)

Utilizes 1031 Exchange workflow technology, Exchange Manager Pro℠ that is SOC 2 Type 2 compliant

ABOUT OUR TRUSTED PARTNERS*

Experience managing up to $7 Billion annually in exchange transactions

Supported over $39 Billion in real estate transactions through their solutions in 2025

Inspira Financial has over $66 Billion assets under custody & $21 Billion in client funds on deposit

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1031 Exchange Basic FAQs

45 days

You have 45 days after the sale of your relinquished property to identify your replacement property(ies). Identification of replacement properties must be unambiguous, using a legal description or physical address. It must be in writing, dated, signed, and received by your QI within the 45 days. The 45-day requirement is strictly enforced with no option for extension.

180 days

You have 180 days after the sale of your relinquished property to purchase your replacement property(ies). The 180-day requirement is strictly enforced with no option for extension. Additionally, your replacement period could be shorter if your tax return due date is prior to the expiration of the 180 days, if that is the case you will want to file an extension on your tax filing.

ID rules

The IRS provides three rules in which you can identify your replacement property(ies). The most common being the **3-property rule**, simply put you can identify three properties. The **200% rule** allows you to identify more than three properties so long as the fair market value of all properties does not exceed 200% of the sales price of your relinquished property. Lastly, the **95% rule** states that should you over identify the first two rules than you have to purchase 95% in value of what was identified.

LIKE kind

For a 1031 exchange to be valid, your properties must be like-kind. As it pertains to real estate, all real estate is like-kind to other real estate. Some examples would include: an apartment complex exchanged for a cell tower easement; an office building for farm land; or a rental home for water rights. Generally speaking, the only real estate that does not qualify under a 1031 exchange is a vacation home and personal primary residency.

ID rules to purchase

You have the option to purchase one or all of the properties you identified, you are not required to purchase all identified properties. Identifying more than one property just provides you with more options to ensure you have a replacement property within the 180-day exchange period. Additionally, you need to state how many properties you plan to purchase.

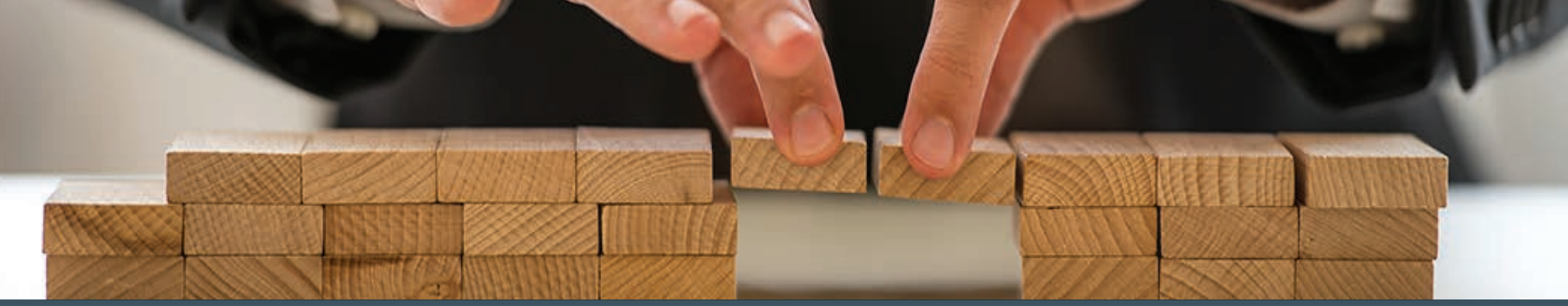
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1031 Exchanges Bridging Two Years

Full Exchange Period

The 1031 exchange period is 180-days from the closing of the Relinquished Property, or the Exchanger's Tax Return filing date, whichever comes first. For 1031 exchanges started in the fourth quarter of the year, the Exchanger may need to file for an extension on their tax return in order to get the full 180-days for their 1031 exchange.

Exchange Start Date

A 1031 exchange with the Relinquished Property close date on or after October 18, will not receive the full 180-day Exchange period without the Exchanger filing for an extension.

FORM 4868

To file for an extension, the Exchanger must complete a Form 4868 which will allow them an additional 6-months to file their Tax Return, in turn the extension allows them their full 180-days to complete their 1031 exchange.

NOTE: The extension does not grant them additional 6-months to complete their exchange, only the balance of their 180 days.

Unsuccessful 1031 Exchange

For an unsuccessful 1031 exchange that crosses two years, the Exchanger has the option to use Installment Sale Rules per Section 453 and report the gain in either the year of the sale of the Relinquished Property, or the year their proceeds were returned to them. The default reporting is to report the gain in the year the proceeds were returned which ultimately provides one-year deferral on the gains.

FORM 6252

To follow Installment Sale Rules, the Exchanger must complete a Form 6252

NOTE: Section 453 rules are very specific and do not apply to all sales, so the Exchanger should review to ensure their exchange qualifies under Section 453.

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Should I Do A 1031 Exchange?

To determine if a 1031 Exchange makes sense for your current situation, utilize these calculations to determine your taxable gain.

1. CALCULATE NET ADJUSTED BASIS		EXAMPLE		YOUR FIGURES
Original Purchase Price of Relinquished Property (Basis)		$200,000		
PLUS Capital Improvements	+	$20,000	+	
MINUS Depreciation	-	$50,000	-	
EQUALS Net Adjusted Basis	=	$170,000	=	

2. CALCULATE CAPITAL GAINS				
Today's Gross Sales Price		$500,000		
MINUS Cost of Sale (including commisions, fees, etc.)	-	$30,000	-	
MINUS Net Adjusted Basis (calculated above)	-	$170,000	-	
EQUALS Capital Gains	=	$300,000	=	

3. CALCULATE TAXES DUE				
Recapture of Depreciation (Depreciation Value x 25%)		$12,500		
Federal and State Capital Gain Rate (Capital Gains x 27%*)	-	$81,000	-	
Net Investment Income Tax SF/HE (Capital Gains x 3.8%)	-	$11,400	-	
TOTAL TAX DUE	=	$104,900	=	

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Sale VS Exchange

Utilizing the figures in our example, below illustrates the difference in the Proceeds through a traditional real estate sale compared to the proceeds available through a 1031 Exchange.

SALE

SALE PRICE	$500,000
EXPENSES	- $30,000
ADJUSTED BASIS	- $170,000
TAXABLE GAIN	$300,000
NET AFTER TAX PROCEEEDS	$365,100

EXCHANGE

SALE PRICE	$500,000
EXPENSES	- $30,000
[redacted]	
GROSS PROCEEDS (1031=TAX DEFFERAL	$470,000

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1031 Exchange Process

SELL

RELINQUISHED PROPERTY

1. Execute a sales contract on your relinquished property, including language within the contract to allow for a 1031 exchange.
2. Upon the close of the relinquished property sale the proceeds will be wired to the Qualified Intermediary (QI) on your behalf until you purchase your replacement property.
3. Your 45-day and 180-day periods start the day of the close.

ID

IDENTIFY REPLACEMENT PROPERTY

1. You have 45 days from the close of your relinquished property to identify your replacement property(ies).
2. There are 3 rules in which you can properly identify replacement properties: 3-property rule, 200% rule, and 95% rule.
3. In order to defer all taxes, you must use all the net proceeds of the relinquished property(ies) sale and have equal or greater debt, if any, on the purchase your replacement property.

BUY

REPLACEMENT PROPERTY

1. You can use exchange funds to close on a replacement property at any time during the 180-day period, including language within the contract to allow for a 1031 exchange.
2. Your closing agent will work with the QI team to draft or obtain all necessary documents.
3. At closing of your replacement property or at the expiration of the 180-day period, your exchange will close and any remaining funds will be disbursed back to you.

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1031 Exchange FAQs

1. WHAT IS A QUALIFIED INTERMEDIARY (QI)?

A Qualified Intermediary, or QI, **is an unrelated third party used to facilitate the 1031 exchange transaction**.

2. CAN I DO AN EXCHANGE WITH MORE THAN ONE PROPERTY?

Yes, you are allowed to exchange multiple properties. You can relinquish multiple properties for one replacement property, or vice-versa you can exchange one relinquished property for multiple replacement properties. The key is you want your replacement property(ies) to be equal or greater in value than your relinqished property(ies) to avoid taxable boot.

3. DOES THE NAME OF THE TITLE FOR MY REPLACEMENT PROPERTY MATTER?

Yes, with few exceptions, **the title to the replacement property must be in the same name, or entity,** as the relinquished property was held.

4. CAN I REFINANCE THE RELINQUISHED PROPERTY PRIOR TO THE EXCHANGE OR THE REPLACEMENT PROPERTY AFTER THE EXCHANGE?

While there is nothing in the Regulations on this question, **for technical reasons it is considered bad practice to refinance in anticipation of entering an exchange.** Refinancing after an exchange to pull some equity out is considered proper.

5. AM I ALLOWED TO USE EXCHANGE FUNDS FOR IMPROVEMENTS ON REPLACEMENT PROPERTY?

Yes, as long as your exchange is structured properly. The best method to accomplish this is to have a Special Purpose Entity acquire title to the replacement property, the Special Purpose Entity will complete the improvements and then you, as the exchanger, will acquire the replacement property from the Special Purpose Entity through a built-to-suit or improvement exchange.

6. WHAT IS A REVERSE EXCHANGE?

A reverse exchange is an exchange where the replacement property is purchased before the relinquished property is sold. Reverse Exchanges are more complex and your QI should be involved in all steps and planning to ensure it is completed in accordance with IRC § 1031.

7. CAN SOME OF THE MEMBERS OF AN LLC DO THEIR OWN EXCHANGE OR CASH OUT AT THE TIME OF THE SALE OF THE PROPERTY?

The IRS Code does not allow members/partners to do his or her own exchange, only the entity can do so. Given enough preplanning, there is a technique referred to as a "drop & swap" whereby certain members/partners can drop their interest from the entity and enter the exchange individually and not at a member/partner.

8. IN A REVERSE EXCHANGE, SINCE THE ACCOMMODATOR WILL BE IN TITLE, DOES THAT MEAN IT COLLECTS THE RENT FROM THE PROPERTY TENANTS?

No, typically, the Accommodator will Master Lease the property to the taxpayer enabling the taxpayer to manage the property, collect the rent and pay for expenses.

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Build-to-Suit & Improvement Exchanges

What is a Build-to-Suit/Improvement Exchange?

A Build-to-Suit Exchange (BTS) is where an Exchanger purchases land to build the desired structure as the Replacement Property. An Improvement Exchange entails the Exchanger purchasing Replacement Property with the intention to improve the structure. Once the Exchanger takes title to the property, any improvements are considered payment for labor and materials and such payment is not the purchase of like kind property.

Process of a Build-to-Suit/Improvement Exchange

In order to have a valid Build-to-Suit/Improvement Exchange, the Exchanger must utilize the exchange funds for the construction or improvement costs within the 180 day exchange period. They do not need to be completed during this period. Similar to a Reverse Exchange, an Exchange Accommodation Titleholder (EAT) creates a Special Purpose Entity (SPE), typically an LLC, to take legal title to the property during the period of construction. The SPE will take title to the Replacement Property on behalf of the Exchanger and "park" the title until the earlier of the construction or improvements being completed OR the 180th day. Once the EAT transfers ownership of the property to the Exchanger, the Exchanger has acquired improved like-kind real estate including the increased value of the improvements.

Other Considerations

Build-to-Suit and Improvement Exchanges can be set-up on a forward or reverse basis. If the Exchanger sells the Relinquished Property prior to acquiring the Replacement Property then a forward type parking arrangement would occur and the EAT would fund the cost of the property acquisition and improvements from the exchange funds held from the Relinquished Property sale.

Alternatively, if the Exchanger acquires the Replacement Property prior to the sale of their Relinquished Property, a reverse parking exchange would occur and the Exchanger would have to provide the EAT the funds personally for property acquisition and improvements or arrange for a bank loan. In either case, the loan would be paid back at the time the Exchanger sells the Relinquished Property and funds the exchange account.

Reasons For Build-to-Suit or Improvement Exchanges

Below are a few of the reasons or factors that contribute to the need for a Build-to-Suit or Improvement Exchange:

- **Utilize All Exchange Funds:**
The primary reason to utilize these types of exchanges is to be able to utilize all the funds in the exchange account. Often the purchase price of the Replacement Property is less than the sale price of the Relinquished Property. The cost of the desired improvements can be made with the excess funds enabling the Exchanger to avoid "boot" and a taxable event.

- **Meet Specific Criteria:**
Frequently a BTS is used when the Exchanger has specific criteria for the business use property, such as a factory or place of business, and is unable to find a pre-existing property that fits those needs so the Exchanger must construct or improve to satisfy the specific property requirements.

- **Competitive Real Estate Market**
In a competitive market, finding desirable Replacement Property within the 45-day Identification Period can be difficult. Build-to-Suit/Improvements Exchanges allow for a larger pool of potential Replacement property given the ability to customize the property as needed.

- **Cost Savings**
Sometimes the Exchanger is able to find vacant property that can be acquired and constructed at a cost less than the sale price of a comparable already constructed property.

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1031 Exchange: Replacement Property

Replacement Property Requirements

For a valid 1031 Exchange you must meet the following requirement in regard to replacement property:

- You have 45 days after the sale of your relinquished property to identify your like-kind replacement property(ies)

- You have 180 days after the sale of your relinquished property to purchase your replacement property(ies).

Like-Kind Requirement

For a 1031 exchange to be valid, your properties must be like-kind. As it pertains to real estate, all business or investment real estate is like-kind to other real estate. Generally speaking, the only real estate that does not qualify under a 1031 exchange is a vacation home and personal primary residence.

Nearly all real property held for business or investment purposes is considered to be "like-kind" to all other real property. The following types of real property are often exchanged with taxes deferred:

- Single or multi-family rental properties
- Office buildings
- Apartment buildings
- Shopping centers
- Farm and ranch land
- Vacant land held for investment
- Billboard sites
- Hotels and motels
- Cell tower sites and easements
- Mineral, oil and gas rights
- Water and timber rights
- Wind farms
- Warehouses
- Delaware Statutory Trusts (DSTs)
- And many more...

Passive Real Estate Investments

Passive real estate investments allow the investor to generate routine income without the burden of managing the assets. Some forms of passive investing in real estate include DSTs, Triple Net Leases (NNN), and REITs.

Passive investments allow for diversification of a real estate investment portfolio and eliminate the headaches involved in traditional real estate ownership, the so-called "Three-Ts: Toilets, Tenants and Trash".

Discussing investment opportunities with your Financial Advisor is always encouraged.

Delaware Statutory Trusts (DSTs)

One of the most popular types of passive real estate investments valid for replacement property in a 1031 exchange is a Delaware Statutory Trust (DST).

A DST is a real estate investment vehicle that provides accredited investors with access to investment grade real estate that is generally larger than they could have acquired on their own.

Through a DST, the Exchanger acquires a fractional interest in a property equal to the Exchange equity investment. DSTs are increasingly popular with seasoned real estate investors who are looking to transfer from active real estate investments into passive real estate investments, allowing them to retire from property management responsibilities.

DSTs are intended to provide reliable quarterly income with no property management. Additionally, when the property as a whole is sold (5-7 years typically) the investor also shares pro rata in the increased value.

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Reverse (Parking) 1031 Exchanges

What is a Reverse or Parking Exchange?

A Reverse or Parking Exchange is where an Exchanger purchases their Replacement Property prior to selling their Relinquished Property. The typical order of events in a 1031 Exchange occur in reverse, hence the name.

Process of a Reverse Exchange

In order to have a valid Reverse Exchange, the Exchanger cannot own the Relinquished Property and the Replacement Property at the same time. Therefore, the transaction must be structured such that they sell the Relinquished Property prior to acquiring the Replacement Property. Typically, this is accomplished by having an "Exchange Accommodation Titleholder", or EAT, acquired the Replacement Property. The EAT will hold title to the Replacement Property in a Reverse Exchange until the Exchanger sells the Relinquished Property, at which time the EAT then transfers the title back to Exchanger to complete the Reverse Exchange process.

Other Considerations in a Reverse Exchange

Some additional considerations for a Reverse Exchange include determining which property to "park" with the EAT. When parking the Replacement Property with an EAT the amount needed to acquire the property is a certain sum; however, if you are parking the Relinquished Property the amount is usually a best guess, which later requires adjustments to deal with the deviations. Therefore, traditionally the Replacement Property is "parked" with the EAT in a Reverse Exchanges.

Some reasons why a Relinquished Property would be "parked" include:

- If the value of the Relinquished Property is much less than the Replacement Property making the loan to the EAT more easily attained
- If the Replacement Property requires special financing
- If the Replacement Property lender will not lend to an LLC
- If the Replacement Property has environmental issues or concerns

Reasons For A Reverse Exchanges

Below are a few of the reasons or factors that contribute to the need for a Reverse Exchange:

- **Competitive Real Estate Market**

In a competitive market, finding suitable Replacement Property within the 45-day Identification Period can be difficult. A Reverse Exchange allows for the Replacement property to be identified and purchased prior without consideration of a 45-day regulation.

- **Financial Considerations**:

If an income-generating Relinquished Property is sold first, then income ceases until the Replacement Property is identified and purchased which could take up to 180 days with a traditional 1031 Exchange. Acquiring the Replacement Property first would allow the Exchanger to continue to generate income on the Relinquished Property, as well as potentially on the Replacement Property through a Reverse Exchange.

- **Ongoing Business:**

If the Exchanger operates their business in the Relinquished Property, they typically cannot shut down operations during the time it takes to acquire the Replacement Property. Acquiring the Replacement Property first allows them to relocate their business in a manner that minimizes business interruptions.

- **Timing Doesn't Work:**

Sometimes the seller of the Replacement Property insists on the transaction occurring on or before a particular date, but the buyer of the Relinquished Property cannot complete the acquisition by that date. While the Exchanger hadn't planned on a Reverse Exchange, the structure can save potentially thousands of dollars in taxes or other costs.

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SAFETY & SECURITY OF EXCHANGE FUNDS*

Fidelity Bond	Errors & Omissions	Cyber Liability
$50M	$25M	$20M

- Depository banks holding exchange funds are FDIC insured and highly rated (only 4–5 star Bauer ratings)
- Banks are evaluated quarterly on the Bauerfinancial.com and reviewed for compliance
- All funds are held in segregated accounts limited to the activities of a single client
- Client funds are never commingled with other clients funds or with company-owned assets
    - FDIC insures $250,000 per Exchanger
    - Qualified escrow account can be opened on request
- Account information for segregated accounts where funds are held is kept confidential
- Depository banks require multi-factor authentication for secure account access
- All outgoing wire instructions are verbally confirmed by a member of the Finance team with the beneficiary, i.e., Title Company or Exchanger
- Receipt of funds verbally confirmed by a member of the Finance team with the beneficiary within 24 hours of the initial wire
- Dual authorization is used to process outgoing wires and ACH payments (posting & approving)
- All accounts are set up with Positive Pay to prevent fraudulent checks and ACH Debit Blocks to prevent unauthorized debits to the account
- Exchange funds are always liquid, held in demand deposit accounts, and available at client direction for acquisition of Replacement Property

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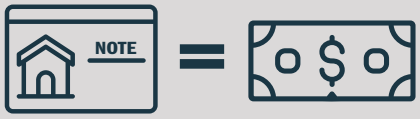
Seller Financing in a 1031 Exchange



The Seller, Taxpayer in a 1031 Exchange, provides Seller Financing to make the transaction happen

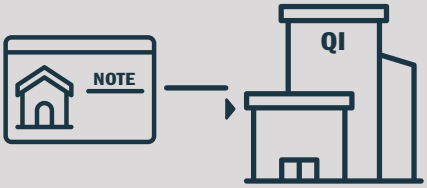


The Seller Financing is documented by a Note and Mortgage/Deed of Trust or a Contract for Deed from the Buyer to the Seller

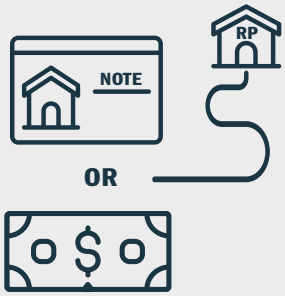


The Note is treated just as cash would be treated in a transaction

- To avoid "actual receipt" the Note is made payable to _____ as Qualified Intermediary f/b/o _____ (Client/Taxpayer)



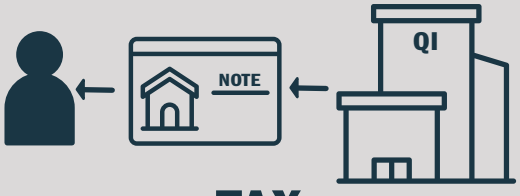
- Mortgage, or Security Instrument, should reflect the same parties as the Note



The Client (Taxpayer) can transfer the Note to the Replacement Property (RP) Seller if he/she is willing to take it as part of purchase price

Alternatively, the Client (Taxpayer) can use their own funds or borrow funds in order to exchange the Note held by the QI for cash

- The QI on behalf of the Client (Taxpayer) uses the cash to acquire the Replacement Property at closing



TAX DEFERRAL!

The QI assigns the Note and Security Instrument to the Client (Taxpayer) and the exchange is complete

The Client (Taxpayer) gets tax deferral on the sale and only reports the interest received over time, but the principal payments are tax deferred

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1031 EXCHANGE

Valid 1031 Exchange Closing Expenses

When selling or purchasing an investment property in a 1031 exchange process, certain selling expenses paid out of the sales or 1031 exchange proceeds will result in a taxable event for the exchanger. Routine selling expenses such as broker commissions or title closing fees will not create a tax liability. Operating expenses paid at closing from 1031 proceeds will create a tax liability for the exchanger.

The IRS, through various revenue rulings has provided guidelines for allowable and unallowable closing and settlement costs based on common geographical practices and standards.

Allowable closing expenses:

- Real estate broker's commissions, finder or referral fees
- Owner's title insurance premiums
- Closing agent fees (title, escrow or attorney closing fees)
- Attorney or tax advisor fees related to the sale or the purchase of the property
- Recording and filing fees, documentary or transfer tax fees

Expenses resulting in a taxable event:

- Pro-rated rents
- Security deposits
- Utility payments
- Property taxes and insurance
- Associations dues
- Repairs and maintenance costs
- Insurance premiums
- Loan acquisition fees: points, appraisals, mortgage insurance, lenders title insurance, inspections and other loan processing fees and costs

To reduce the taxable consequences of these operating, financing and other closing fees, try to:

- Pay security deposits, pro-rated rents and any repair or maintenance costs outside of closing, or deposit these amounts in escrow with the closing agent.
- Treat accrued interest, prorated property tax payments or security deposits as non-recourse debt that the exchanger is relieved of on the sale of their old property, which could be offset against the debt assumed on the replacement property. Note: this would only work if mortgage debt is obtained on the replacement property purchase that exceeds the mortgage debt paid off on the sale of the relinquished property.
- Match any prepaid taxes or association dues credited to the investor against the unallowable closing expenses listed on the settlement statement.

Check with your tax advisor prior to the closing to review the closing settlement statements to determine if there is an opportunity to avoid a taxable transaction in your 1031 exchange. It's possible that an exchanger has a long term loss carry forward or non-recognized passive operating losses that could offset the taxable amount.

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Understanding 1031 Exchanges

A 1031 exchange, or like-kind exchange (LKE), allows you to defer various forms of taxes—including capital gains, depreciation recapture, and state tax in most states. You can be eligible for a 1031 Exchange when you sell real estate that meets these requirements.

Like-Kind Requirement

Generally, all real estate is like-kind to other types or kinds of real estate. For example, an apartment building could be exchanged for a retail center.

Use of a Qualified Intermediary

An unrelated third party or Qualified Intermediary (QI) may be used to facilitate the 1031 exchange transaction. A taxpayer cannot utilize their realtor, lawyer, accountant or a related party, or agent as a QI. Additionally, several states require that QIs be compliant with regulatory requirements regarding insurance, bonding, and the manner in which exchange funds are held, state licensing, etc.

Time Limits & Indentification Requirement

A taxpayer is required to acquire or identify the target replacement property within 45 days after the transfer of the relinquished property. A written document that recognizably identifies the replacement property must be signed by the taxpayer and received by the Qualified Intermediary on or before the 45th day. Properties acquired within the 45-day designation period are deemed to be identified.

A taxpayer has 180 days (or the due date for filing of taxes for the year the property was sold) to acquire the replacement property. For example, if the relinquished property is sold in December, the due date for the filing the tax return for that year would be less than 180 days. In such case, it would be necessary for the taxpayer to file for a tax-filing extension in order to utilize the full 180 days.

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Exchange Requirement

It is not enough for properties to be sold and purchased within the timelines. An actual exchange must take place in which one property is exchanged for another of like-kind. Use of a Qualified Intermediary can ensure the sale and purchase become an exchange. More than one property may be sold or acquired through a 1031 exchange.

Holding Period Requirement

There is no holding period that is specifically defined in Section 1031 or the regulations. It is largely a matter of the taxpayer's intent when the property was acquired. For example, the intent can generally be determined by such factors as actual rental, proof of attempted rental, etc. However, if a replacement property is acquired then immediately sold or fixed up and sold, that might indicate the property was acquired for resale and is therefore dealer property or inventory and cannot qualify for an exchange under Section 1031.

Qualified Use Requirement

Assets to be exchanged must have been held for productive use in a trade or business or held for investment.

No constructive or actual receipt of exchange funds

It is a violation if the taxpayer (or an agent for the taxpayer) receives exchange funds or the taxpayer is directly or indirectly able to control the exchange funds during the exchange period. Use of a Qualified Intermediary can prevent any improper receipt of funds for exchange purposes.

FC 1031 Exchange

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FC 1031 Exchange

QUICK TIPS
1031 Exchanges

DEADLINES

Deadlines are essential to any 1031 exchange.

45 day
IDENTIFICATION PERIOD

From the closing date of the sale of your relinquished property, you have 45 days to identify any replacement properties you plan to purchase.

180 day
EXCHANGE PERIOD

From the closing date of the sale of your relinquished property, you have 180 days to close on replacement property.

OTHER CONSIDERATIONS

Additional items to consider for your 1031 exchange:

If an identification form has been submitted, the only way to withdraw funds from your exchange is to close on identified properties or wait for the expiration of the full 180-day exchange period.

Some exchangers may choose to not identify if they do not find a suitable property. If the 45-day identification period ends and no replacement properties were identified, the exchange closes and funds are returned to the exchangor as taxable boot.

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1031 EXCHANGE

QUALIFYING FACTORS



Property must be like-kind, nearly all real estate is like-kind to other real estate.



Property cannot be a personal primary residence or vacation home.



The same taxpayer who sells must also purchase.



The 1031 Exchange needs to be disclosed to both the buyer of the relinquished property and the seller of the replacement property.



The exchange period could be shorter than 180 days if the individuals' tax return is due prior to the 180th day, if that is the case an extension on filing the tax return would be necessary.



The price of the replacement property must be equal to or greater than the sales price of the relinquished property to avoid taxable gains. Any amount/debt not re-invested is considered "Boot" and is taxable.



The Fact Pattern and intent of the relinquished and replacement properties must support being held for investment or use in business.

If the seller of the replacement property is related to you by familial or business association, their eligibility as a seller requires special attention to potentially qualify.

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