

# 1031 EXCHANGE

## TIMELINE

For those agents representing a buyer or seller involved in a 1031 exchange of INVESTMENT PROPERTY, awareness of the time frame and specific elements will assist you in closing in a timely manner and protecting your client's interests.

The 1031 tax-deferred exchange is a procedure that allows the owner of investment property to avoid paying capital gains taxes when selling an investment property and reinvesting the proceeds from the sale within certain time limits (see below).

### 1031 EXCHANGE TIMELINE



### TIMELINE OF REVERSE 1031 EXCHANGE



Under IRS section 1031, any proceeds received from the sale of an investment property remain taxable. For that reason, proceeds from the sale must be transferred to a **qualified intermediary (such as a 1031 exchange company)**, rather than the seller of the property, and the qualified intermediary then transfers those proceeds to the seller of the replacement property or properties.

The **main benefit** of carrying out a 1031 exchange rather than simply selling one property and buying another is the tax deferral. A 1031 exchange allows your client to defer capital gains tax, freeing more capital for investment in the replacement property.

To receive the full benefit of a **1031 exchange**, the replacement property should be of equal or greater value BUT the seller **must identify a replacement property for the assets sold within 45 days** and then **conclude the exchange within 180 days**.

The tax deferral provided by a 1031 exchange is a wonderful opportunity for investors and in most cases, **escrow and title fees as well as broker compensation can be paid with exchange funds**. Although it is complex at points, the qualified Intermediary and I are here to ensure a smooth and timely transaction.

#### 3-PROPERTY RULE

**PROPERTY:** Identify up to 3

**VALUE:** No Limit

**NOTE:** Only 1 property needs to close. It is advisable to identify 3 properties as a contingency plan.

*The identified properties have to be "like" properties to the one sold.*

If you would like more information regarding this topic or have other commercial or agricultural title/escrow questions, please call or email!