Maximizing Tax Savings with Section 1031 Like-Kind Exchanges

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IPE 1031 QUALIFIED INTERMEDIARY SERVICES

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2024: Capital Gains Tax Rates

Gain due to appreciation:

- 0% up to $47,025 (single) $94,050 (married)
- 15% up to $518,900 (single) $583,750 (married)
- 20% for earnings over $518,900 (single) $583,750 (married)
- 3.8% Net Investment Income Tax for earners over $200,000 (single) $250,000 (married)

Gain due to depreciation (25% for 1250 / ordinary income for 1245)

Iowa capital gains = ordinary income flat tax rate:

- 5.70% (2024), 3.8% (2025 and beyond)

Gain on properties held less than one year (Ordinary Income)

Close to 30% potential long term capital gain tax for high earners or large gain

Four Options with a Property

1. Hold
2. Cash Out
3. Installment Sale
4. 1031 Exchange

Reasons to Hold

- Strong asset (cash flow, future appreciation)
- Favorable existing financing
- Simply don’t want to pay tax
- Estate planning - stepped up basis for heirs

Reasons to Cash Out

- Reduce debt
- Low capital gains tax rates
- Diversify into different asset classes
- Start a 1031 exchange but can't find suitably priced replacement property

BASIS

- Cost of a property for tax purposes
- If purchased outright, basis is the price paid for the property plus acquisition costs
- Capital improvements increase basis
- Items that provide a tax benefit decrease basis, *e.g.* cost recovery (depreciation)

Installment Sale –
Receive Payments Over Time

GAIN CALCULATION:

$ 1,000,000	Sale Price of Property (2024)
- 200,000	Basis of Property (1988 Purchase)
800,000	Gain (Tax @ 30% = $240,000)

Year Taxed	Funds Received	Basis	Amount Taxed	Tax
2024 (15% Fed / 5% State)	$200,000	$40,000	$160,000	$32,000
2025 (20%)	$200,000	$40,000	$160,000	$32,000
2026 (20%)	$200,000	$40,000	$160,000	$32,000
2027 (20%)	$200,000	$40,000	$160,000	$32,000
2028 (20%)	$200,000	$40,000	$160,000	$32,000
Total	**$1,000,000**	**$200,000**	**$800,000**	**$160,000**

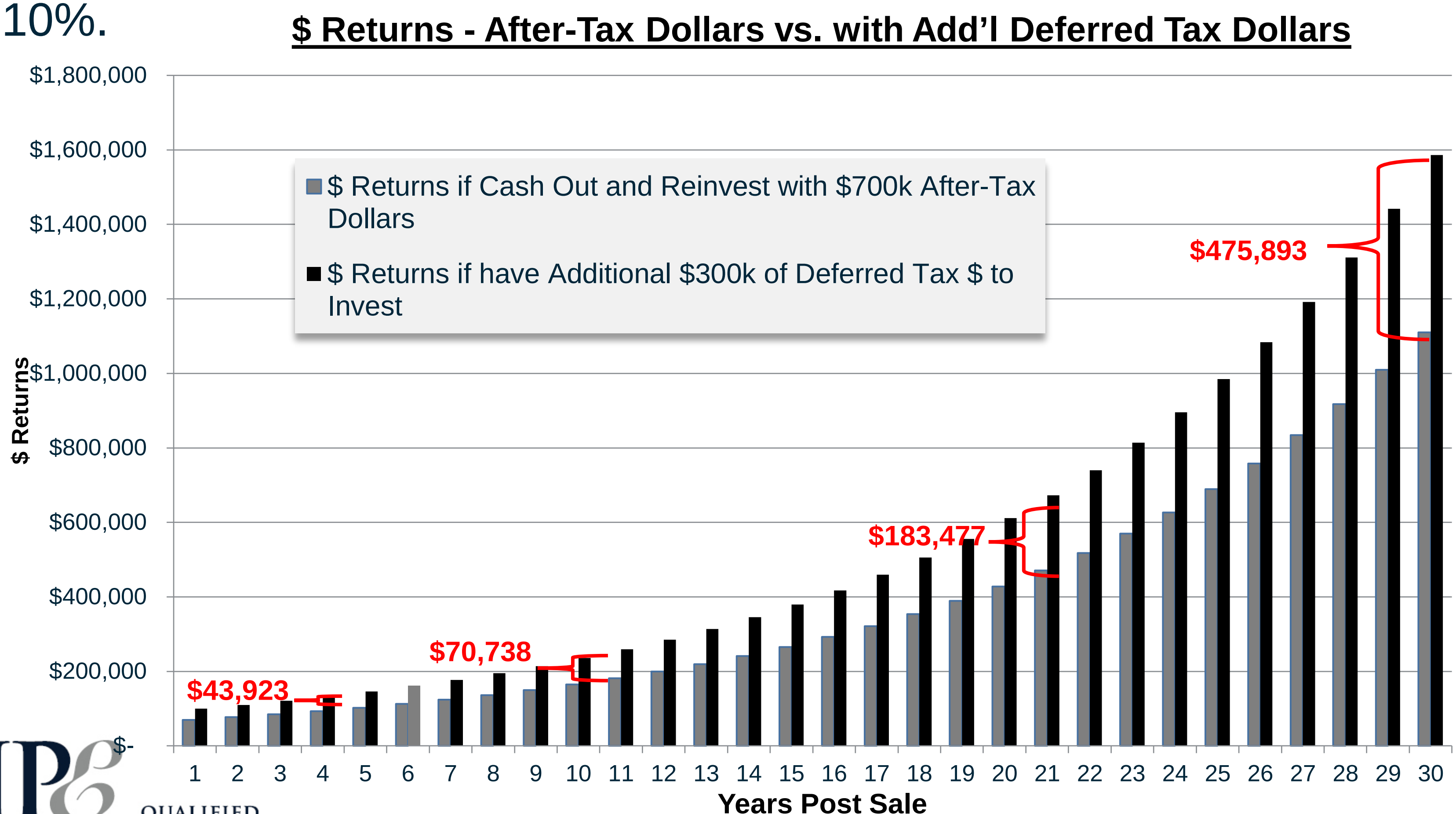
Sale of Property With $1,000,000 Gain

TAX CALCULATION (No Basis):

Federal Capital Gains Tax:	$200,000	($1,000,000 x 20%)
Net Investment Income Tax:	$ 38,000	($1,000,000 x 3.8%)
State Capital Gains Tax:	$ 62,000	($1,000,000 x 6.0%)
Total Tax Paid:	**$300,000**	
Funds After Tax:	$700,000	v. $1,000,000

1031 Exchange Illustration

Sale of 160 acre parcel of land for $1.5M with a $500k basis. Assumed tax rate on $1M gain is 30%. Assumed annual return from reinvestment is 10%.



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1031 Exchange for Real Property Only

Section 1031 applies to <u>real property only.</u>

Examples:

- 80 acres of bare ground exchanged for 80 acres of bare ground closer to home.

- 80 acres of bare ground exchanged for an apartment building, retail center, vacation home (limited circumstances), or other real property held for investment or used in a trade or business.

- Office building exchanged for a farm.

Qualifying Like-Kind Properties Include:

- Rental properties (houses, duplexes, apartment complexes, etc.)
- Farms and farm land (except homestead)
- Office buildings
- Retail spaces (strip malls, stand alone stores, gas stations, etc.)
- Industrial and warehouse facilities
- Mini-storage units
- Raw land (land held for appreciation)
- Golf courses and sporting complexes
- Vacation homes – under very limited circumstances
- Partial Interests – TIC %, permanent conservation easements, leases (30 years or more), contract rights, remainder interests

Agricultural Properties :

- Farms and farm land (except homestead)
- Partial interests – tenant-in-common percentage, remainder interests, contract rights
- Special purpose agricultural: hog buildings, grain bins, fence and tile
- Water rights – perpetual in duration
- Conservation easements - permanent
- Timber rights
- Roads, pipelines and power lines: Section 1033 when under threat of condemnation. Two year replacement period for similar use properties.
- Wind turbine and cell tower leases

How Can 1031 Benefit Taxpayers?

- Consolidate or Diversify Investment Property Portfolio
- Derive Increased Cash Flow by Changing Investment Type
- Relocate Investment Property
- Stepped-up Basis for Heirs
- Reduce Managerial Burdens
- Eliminate Capital Gains Tax
- Interest-free Loan from Uncle Sam

Red Flag: Trading Down in Value

To defer all capital gain:

1. The replacement property must have a value that is equal to or greater than the sale price of the relinquished property.

2. The exchanger must place all of the equity from the sale of their relinquished property into the replacement property.

3. The replacement property must have debt that is equal to or greater than that of the relinquished property.

Red Flag: Trading Down in Value

	Relinquished Property	Replacement Property
Sale Price:	$1,000,000	$ 1,000,000
Debt:	$ 500,000	$ 500,000
Equity:	$ 500,000	$ 500,000

If replacement property value is greater than, or equal, all tax can be deferred.

Red Flag: Trading Down in Value

	Relinquished Property	Replacement Property
Sale Price:	$1,000,000	$ 800,000
Debt:	$ 500,000	$ 300,000
Equity:	$ 500,000	$ 500,000

If the taxpayer “trades down” in sale price, debt, or equity, he/she will be taxed on the amount of the “trade down” up to their realized gain.

Receipt of Cash Always Taxable

	Relinquished Property	Replacement Property
Sale Price:	$1,000,000	$1,200,000
Debt:	$ 500,000	$ 800,000
Equity:	$ 500,000	$ 400,000

The exchanger acquired replacement property worth $200,000 more than the value of relinquished property and received $100,000 cash from the exchange. Cash is not like-kind to real estate. Mortgage debt incurred does not offset cash boot received. The exchanger will pay tax on $100,000.

Option: Pre- and post-exchange refinancing (pros and cons)

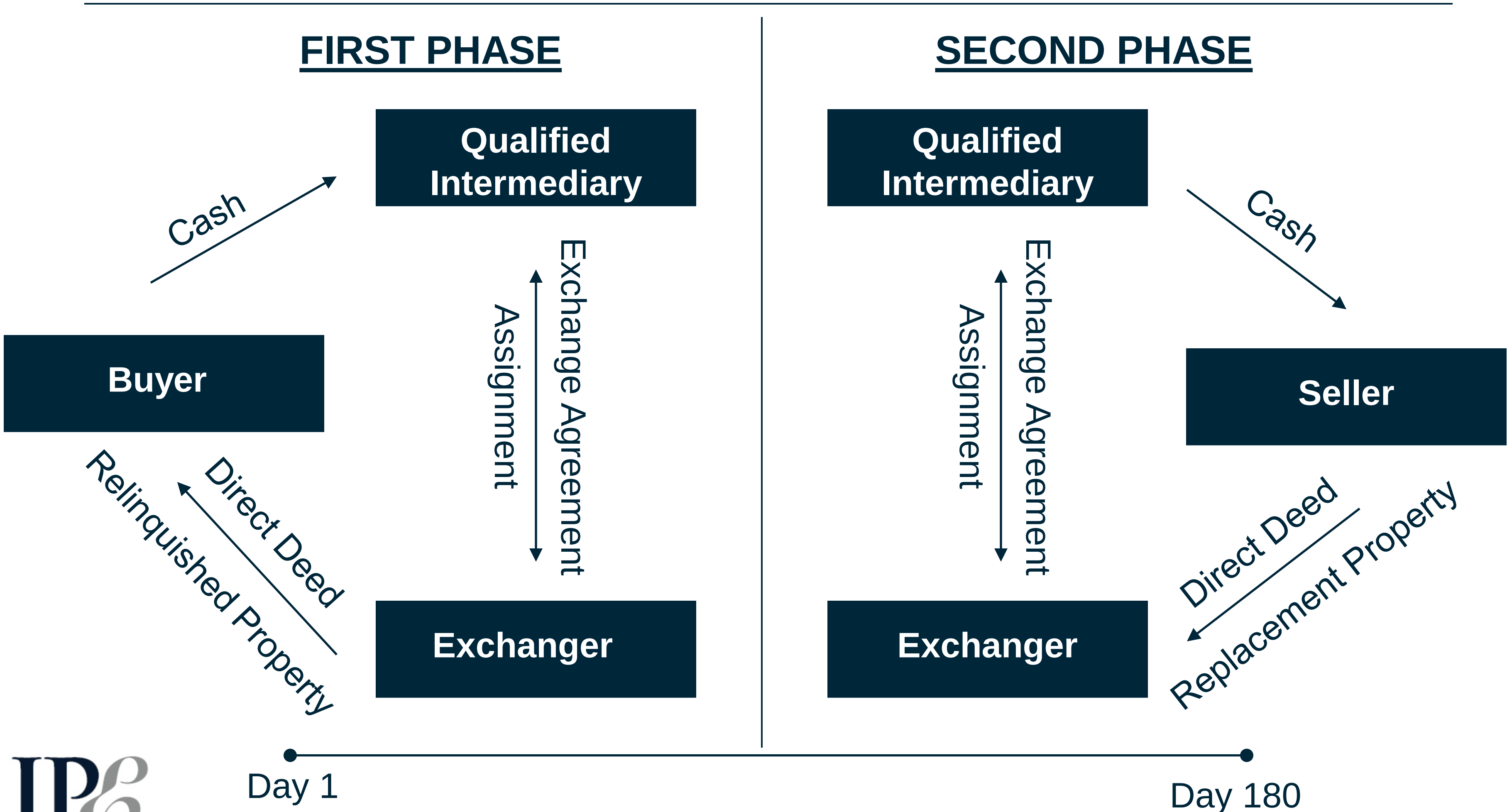
Important Rules

- **Qualified Intermediary:** Must designate Qualified Intermediary QI prior to close of relinquished property. One <u>cannot</u> simply hold funds in escrow after closing and then execute documentation.

- **45-Day Rule:** By the 45^{th} day from closing on the relinquished property, the exchanger must identify in writing, to an independent third party to the exchange transaction (Q.I.), what property(ies) he/she intends to acquire.

- **180-Day Rule:** By the 180^{th} day from closing on the relinquished property, the exchanger must acquire (close on) their replacement property(ies).

Delayed Exchange With Qualified Intermediary



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Identification Rules

1. “3-Property” Rule: An exchanger may identify up to three replacement properties without regard to their fair market value.

2. “200 Percent” Rule: An exchanger may identify any number of replacement properties, so long as the aggregate fair market value of all such identified properties does not exceed 200% of the fair market value of the relinquished property on the date it was sold.

3. “95 Percent” Rule: An exchanger may identify any number of properties, without regard to fair market value, so long as 95% of the value of the identified properties is actually acquired.

1031 Exchange for Personal Property Eliminated
Real Property vs. Personal Property

Personal property exchanges were eliminated ($30B revenue raiser).

- **However**, 1031 for personal property was replaced by allowing gain to be offset by expensing **(2024 – 60%, 2025 – 40%, 2026 – 20%, 2026 – 0%)**.
- State law property classifications generally serve as guidance for what is real property, but are not determinative. Federal law ultimately controls.
- Cost segregation may recharacterize fixtures from real property to Section 1245 property for depreciation purposes only (wall coverings, lighting, special wiring). Still considered real property for 1031 purposes.
- Special categories of Section 1245 real property (single purpose ag buildings, grain bins, fence, tile) can be depreciated as personal property for federal tax purposes. Still considered real property for 1031 purposes.

Purchase / Sale Negotiations

Real versus personal property:

- The parties are bound by allocations in the purchase agreement (and the declaration of value).
- Best approach is to avoid a designation to the extent it is incidental to the larger asset.
- In 1031, QI only receives proceeds from the real property. Personal property proceeds go to exchanger at closing.

Traps

- Full expensing is no longer 100%:
  - 60% in 2024
  - 40% in 2025
  - 20% in 2026

  (Absent extender or reauthorization of Section 1031 for personal property.)

  Example: Sale of $300,000 combine would require a $500,000 purchase to fully offset gain with new depreciation/expensing at 60%.

- Be careful of sales occurring at year end: Sale of a $300,000 combine December 31, 2024 and a purchase of a new $500,000 combine January 1, 2025, results in 2024 recapture tax with no corresponding expense. (Plus 2025 purchase can only be depreciated at 40%.)

- This is for federal law only. State deprecation recapture tax will likely apply without setting up an exchange.

Examples: Offsetting Gain with Personal Property Expensing

Personal property purchases can be a powerful tool to offset gain from the sale of both real property and personal property assets.

Examples:

- Sale of 80 acre farm with $300,000 of gain can be offset by the purchase of a $500,000 combine.

- Sale of 80 acre farm with $600,000 of gain can be offset by $1M grain bins or hog building (single purpose agricultural/horticultural structures).

- Sale of equipment (tractors, combine, tillage equipment, etc.) with depreciation recapture can be offset by purchase of other equipment or other single purpose agricultural/horticultural structures.

- Improvement exchange can be avoided to the extent land can be purchased and improvements can be expensed.

Red Flag: Not using Reverse and Improvement Exchanges

Exchangers may be confronted with situations where they cannot sell relinquished property(ies) before they buy replacement property(ies):

- Exceptional purchasing opportunities
- Relinquished property cannot be sold before replacement property closing
- Improvements are to be built on replacement property
- Planned events: Increased time flexibility

Reverse Exchange Safe Harbor – Rev. Proc. 2000-37

- Allows exchanger to park replacement property with an Exchange Accommodation Titleholder (EAT) for up to 180 days pending the disposition of the relinquished property.

- Also allows the EAT to construct improvements on the replacement property during the 180 day period.

- Rev. Proc. 2004-51: Modified Rev. Proc. 2000-37 to prevent the use of the safe harbor to exchange into new construction on land one already owns.

Reverse Exchange: Replacement Property Parked

The I.R.S. requires the EAT to hold actual title to the replacement property for reverse exchanges until the exchanger can sell the relinquished property.

Seller

Cash

Replacement Property

Exchanger

Exchange Accommodation Titleholder (EAT)

Qualified Exchange Accommodation Agreement (QEAA)

Steps to Parking Property with EAT

EAT Requirements:

- Must have qualified indicia of ownership: Hold title
- Must be subject to federal income tax
- Cannot be a disqualified person: attorney, accountant, financial advisor, realtor, certain family members
- Watch out for related party rules

Procedures:

- Set up a single-member L.L.C. wholly owned by IPE (“IPE1031 REV150, LLC” or another name so the LLC can be sold to exchanger.)
- Environmental liability

Steps to Parking Property with EAT

Procedures Continued:

- Arrange financing: Non-recourse from bank or exchanger to EAT, mortgage from EAT.
- Assignment of Purchase Agreement from exchanger to EAT / Notice of Assignment to Seller
- Real Estate Acquisition and Qualified Exchange Accommodation Agreement (QEAA) – Must be within five business days after the transfer to EAT.
  - Includes Lease to exchanger
  - Includes relinquished property identification form (45 days to identify relinquished property, 180 days to complete reverse exchange)
  - $1,000,000 general insurance liability policy with EAT as additional insured

Steps to Parking Property with EAT

Procedures Continued:

- Closing instructions to closer (Seller to EAT):
  - Property deeded to EAT
  - Title opinion/commitment to EAT
  - Notice of Assignment signed by seller
  - Request review of settlement statement
- Identification Period:
  - 45 days to change or add relinquished properties to be sold
  - 180 days to sell relinquished properties and transfer replacement property from EAT to exchanger
- Relinquished property sale to buyer
  - Relinquished property proceeds to QI

Steps to Transfer Parked Property to Exchanger

- Closing instructions to closer (EAT to Seller):
- Property deeded from EAT to Exchanger (or transfer LLC shares to Exchanger as a disregarded entity)
- Assignment of Real Estate Acquisition and Qualified Exchange Accommodation Agreement to QI
- Notice of Assignment signed by EAT
- Request review of settlement statement: Exchange proceeds are used to pay down note to bank or exchanger
- Dissolve LLC
- File tax return for LLC to report acquisition and sale of parked property

Qualifying Like-Kind Properties

Real property used in a trade or business or held for investment

NOT

Improvements that are not constructed at the time of the purchase (Improvements must be complete to be considered real estate)

Constructing Improvements

- Must be done before property is acquired by Exchanger.
- Can be constructed by the seller, prior to transfer of title of the property to Exchanger.
- Can be constructed by a developer or contractor who holds title to the property.
- Cannot be constructed by the exchanger after property is acquired.
- Can be done by an Exchange Accommodation Titleholder (EAT) in an improvement exchange

Constructing Improvements with an EAT

- Can be done as either a forward or a reverse exchange
- Improvements need not be complete by day 180. Anything that is complete qualifies
- Construction management permitted
- Exchanger may finance improvements
- EAT pays contractors directly and accounts for payments

Related Party Leasehold Improvement Exchanges

Problem: What if exchanger wants to exchange into improvements on land owned by a related party?

- We know we can't buy replacement property from a related party

Solution: Leasehold improvement exchange

- Related party retains ownership in the underlying ground
- FMV lease rate is paid for a term of more than 30 years
- Improvements are transferred to exchanger subject to ground lease
- Two years later – collapse the lease into the improved property

Reverse Exchange Avoidance (Tip)

- Extend closing date:
  - Offer additional earnest money
  - Option agreement
  - Rental agreement
  - Lease/option agreement

- Use caution: The more it appears the "benefits and burdens of ownership" have been transferred, the more likely exchange will be disallowed.

1031 Examples in the Land Context

- Combine acres / exchange into higher quality ground
- Keeping the farm in the family – the beginning farmer
- Keeping the farm in the family – sibling acquisitions, stepped-up basis
- Retirement planning
- Diversification of asset type
- Relocation of operation
- Improve livestock operation
- Promote conservation

Example 1: Combining Acres and/or Exchanging into Higher Grade Farms

Facts:

- Two 80 acre tracts located 20 miles away from home operation
- Farmer’s neighbor lists 160 acre, higher quality tract for sale that adjoins the “home” farm
- Result: Farmer combines tracts to consolidate his land holdings into a larger farm of 360 contiguous acres

Example 2: Keeping the Farm/Ranch in the Family – The Beginning Farmer

Facts:

- 65 year old farmer owned 80 acre tract in family for decades
- Farmer's son was starting operation and desired to acquire family farm
- Father exchanged into larger, higher quality parcel located near another separate tract

Result: Son was assisted with starting farm operation and farm was passed to the next generation

Example 3: Keeping the Farm/Ranch in the Family – Sibling Acquisitions

Facts:

- Five siblings own two 600 acre tracts of ranch land as TICs
- Two ranch and the rest want to cash out or 1031 into properties where they live
- One tract is sold to an unrelated party with the 2 ranchers buying out the other 3 in the remaining property

Result: The ranch stays in the family, sibling squabbles avoided/settled, all go into more appropriate investments while keeping equity

Example 4: Retirement Planning

Facts:

- Farming couple owns 1,000 acres with 150 head dairy operation
- Desire to move to city where kids/grandkids live
- Eventually sell their farm house, move to town and retain 900 acres of land to cash rent

Result: 1031 is a retirement planning tool

Example 5: Diversification of Asset Type

Facts:

- Landowner built 2,000 acre farmland base over 15 years
- Values at all time highs so farmer wants to diversify into commercial
- Exchanges into storage units, apartments and retail strip center

Result: Farmer exchanges into a distressed asset class and hedges against downside risk

Example 6: Relocating Farm/Ranch and Livestock Operations

Facts:

- Amish couple owns 80 acres, a livestock operation and the homestead
- Moving to another state
- Exchange entire operation

Result: The Amish couple is able to relocate without taking the tax hit which would make the move economically infeasible

Example 7: Improvements to the Farm/Cattle Operation

Facts:

- Farmer sells 1,000 acre farm with 500 head cattle feeding operation for $1.2M
- Exchanging into bare 160 for $800,000 that's closer to other land holdings
- Constructs $400,000 worth of single purpose ag buildings and grain storage

Result: Farmer exchanges into a more operationally efficient location and facility

Example 8: Promotion of Conservation

Facts:

- Farmer owns 80 acres of environmentally sensitive land converted from wetlands
- Watershed improvement district offered to buy a permanent easement to restore and improve downstream water quality
- Farmer exchanged into less environmentally sensitive land

Result: 1031 facilitated and promoted farmer's participation in conservation program and removed sensitive acres from production

Other Issues

- C-corp to S-corp conversions: Built-in gain necessitates 1031 to a high level
- Vesting: Entities, dower rights
- Buying and selling on contract
- Reverse exchange – when an installment purchase of replacement over two years won't allow for all equity to be invested
- Separation of parcels in different exchanges
- Lender issue: QI pledging of exchange funds

Top Ten Exchange Red Flags

1. Qualified intermediary requirements
2. Not asking the right questions
3. Unassignable purchase agreements
4. Trading down in value
5. Reverse exchange avoidance

Top Ten Exchange Red Flags

6. Not documenting the exchange correctly
7. Related party transactions
8. Flippers and dealers
9. Settlement statement problems
10. Partnership issues

Role of a Qualified Intermediary

- The I.R.S. requires that exchangers use the services of a qualified intermediary (Q.I.) to accommodate a Section 1031 delayed exchange and hold sale proceeds in trust.

- **MISTAKE: Persons who cannot serve as a Q.I.:**

  Any agent of the taxpayer – attorney, accountant, real estate agent/broker, investment advisor/broker, or employee within two years prior to sale of relinquished property.

  Family members and other persons or entities related to the exchanger. **(Attribution rules)**

What a Q.I. Does

- Check for Red Flags: What are the potential problems that would disqualify a transaction or necessitate an alternative structure?

- Assist the Exchanger: Planning, planning, planning

- Assist Exchanger's Advisors

- Serving as a resource to real estate, tax, and legal professionals so that you can help your clients.

Q.I. Role Continued

- Prepares Documents:
  - Cooperation Addendum
  - Exchange Agreement
  - Assignments and Notices
  - Closing Instructions
  - Identification Notices and Documents
  - Exchange Account Documents
- Monitor Time Deadlines
- Ensure Technical Compliance with 1031
- Invest and manage funds (Bonded and E&O Insured)

Choosing your Qualified Intermediary

- Qualifications
- Fidelity bond coverage
- Error and omissions insurance
- Dual signature requirements
- Segregated exchange accounts
- Custodial exchange accounts
- Independent accounting review of company records

Red Flag: Not Asking the Right Questions

- Type of Property Being Relinquished
- Length of Ownership
- FMV / Basis / Gain of Relinquished
- Debt on the Property
- How Title is Held / Nature of Entity Business
- Replacement Property Type
- Value of Replacement Property
- Improvements
- Related Party Replacement Property Seller
- How Title to be Held for Replacement
- Vacation Homes
- Personal Residences

Red Flag: Purchase Agreement Defects

- Assignable
- Foreclosures specifically
- Exchange Cooperation language
- All Exchangers Parties to the Contract
- Closing Dates in Sequence (Reverse Exchange?)
- 1031 Disclosure in Replacement Property Agreement

Red Flag: Prohibited Related Party Transactions

- Basic Rule: Related parties can exchange property if both parties hold replacement properties for two years.

- **MISTAKE:** Common Misconception - An exchanger can acquire replacement property from a related party in a deferred exchange if they sold relinquished property to an unrelated party as long as held for two years.

- I.R.S. prohibits basis shifting.

Related Parties Defined

- Family Members: siblings, spouse, ancestors, lineal descendents. NOT: Aunt, uncle, in-laws, cousins.

- Individual and corporation where 50%+ is owned directly or indirectly by such individual.

- Two corporations part of the same control group.

- Others as described in Section 267(b) or 707(b) of I.R.C.

Related Parties (Basis Shift Example)

Brother's Property

Brother sells to Exchanger:

$400,000	Sale Price
- $300,000	Basis
$100,000	Gain
x 25%	Tax Rate
$ 25,000	Tax Paid

→

Exchanger's Property

Exchanger sells to investor:

$400,000	Sale Price
- $100,000	Basis
$300,000	Gain
x 25%	Tax Rate
$ 75,000	Tax deferred with 1031

→

Investor's Purchase

Investor (unrelated) purchased property from Exchanger for $400,000

Revenue Ruling 2002-83 specifically prohibits because Brother pays less tax than what Exchanger would have paid if he sold outright without executing a 1031 exchange. This transaction, or series of transactions, is structured to avoid tax.

Related Parties (Example: No Basis Shift)

Brother's Property

Brother sells to Exchanger:

$400,000	Sale Price
- $100,000	Basis
$300,000	Gain
x 25%	Tax Rate
$ 75,000	Tax Paid

Exchanger's Property

Exchanger sells to Investor:

$400,000	Sale Price
- $300,000	Basis
$100,000	Gain
x 25%	Tax Rate
$ 25,000	Tax deferred with 1031

Investor's Purchase

Investor (unrelated) purchased property from Exchanger for $400,000

This is a related party transaction that is not prohibited by Revenue Ruling 2002-83 because Brother pays more tax than Exchanger would have. No primary motive to avoid federal income tax. PLR 200730002

Related Parties (Example: No Cash Out)

Seller's Property	Brother's Property	Exchanger's Property	Buyer's Property
Seller (unrelated) sells property to Brother for $400,000	Brother sells to Exchanger: $400,000 Sale Price - $300,000 Basis $100,000 Gain x 25% Tax Rate $ 25,000 Tax deferred with 1031	Exchanger buys from Brother: $400,000 Sale Price - $100,000 Basis $300,000 Gain x 25% Tax Rate $ 75,000 Tax deferred with 1031	Buyer (unrelated) buys property from Exchanger for $400,000

PLR 200440002 / PLR200807005: Both Exchanger and Brother are executing a 1031 exchange. Neither are cashing out of their investment, thus there is no tax avoidance motive. The transaction is permissible. Both Exchanger and Brother must hold the property for two years.

Red Flag: Properties Held for Resale, Dealers, Flippers and Non-qualifying Uses

- Dealer properties do not qualify for Section 1031 treatment.
  - Developers and contractors
  - Condominium conversions
  - “Fixer-uppers” and “flippers”

Avoiding Dealer Status

Facts:

- Broker is in the business of selling real estate, developing land, renting properties, construction and flipping undervalued acquisition opportunities.

Issue:

- Broker's "dealer" activities can cause all assets to be considered "inventory," thus being taxed at ordinary income tax rates.

Avoiding Dealer Status

Solutions:

- Segregate activities: Different entities, separate books and distinct governance. Not just disregarded LLCs.

- Sell appreciated assets to be developed to a related party dealer entity.

Red Flag: Settlement Statement Problems

- Permitted Exchange Expenses
- Debt Payoffs Related to Relinquished Property
- Rents and Deposits
- All Exchange Equity Applied to Replacement Purchase
- Over Financing on Replacement

Red Flag: Partnership Issues

- The same taxpayer who sells property in an exchange must acquire the replacement property.
- LLCs – Multi-member LLCs are considered partnerships for federal tax purposes
- Partners of multi-member LLCs cannot exchange into separate properties
- Solution: Drop and Swap / Swap and Drop

Partnerships Continued (Drop and Swap)

Convert the partnership to a tenancy-in-common (TIC)

1. Execute and record a deed to transfer all partnership real property to the former partners.
2. Terminate the partnership and any partnership agreement.
3. Assign all leases to the former partners as TIC. Payments to partners.
4. Transfer all assets of partnership to former partners. Notify all creditors of change, close bank accounts.
5. Pay taxes and obligations as individual partners.

Partnerships Continued (Drop and Swap)

Convert the partnership to a tenancy-in-common

6. Purchase and sale agreement in names of formers partners and not in the name of the partnership.
7. Timely file a final partnership tax return.
8. File a protective election under Section 761(a), which allows a partnership to elect out of partnership status.
9. Execute a tenancy-in-common agreement.

Partnerships Continued (Swap and Drop)

- Partnership executes the exchange.
- Replacement properties are contributed to partners individually.
- Partnership is terminated as previously stated.

Checklist For Real Estate Professionals

__ Determine if client's property is used for investment or used in a trade or business (personal residence does not qualify)

__ Notify client that their property may be a good candidate for 1031 treatment

__ Suggest that they contact a Q.I., accountant, and/or lawyer with 1031 experience

Checklist Continued

__ Mention 45-day and 180-day deadlines

__ Make sure closing does not occur without hiring a Q.I. and signing exchange documents

__ Include cooperation language in Purchase and Sale Agreement

"It is the intention of seller to transfer the above-listed property pursuant to I.R.C. Section 1031, which sets forth the requirements for tax-deferred real estate exchanges. Seller's rights and obligations under this and future agreements will be assigned to a qualified intermediary for the purpose of completing the exchange. Buyer agrees to cooperate with seller and qualified intermediary in a manner necessary to enable seller to complete the exchange."

Red Flag Concerns

- Is the client selling to or buying from a related party?
- Does the client own their property with other persons? (Partnership concerns)
- Is the client going to close escrow before hiring a Q.I. and executing proper 1031 documents?
- Is the client going to buy property before giving up their relinquished property? (Reverse exchange)
- Does your client want to build improvements on their replacement property using exchange funds?
- Is the client a dealer?

Use Us As Your Resource

Please do not hesitate to call us if you have questions about a transaction or Section 1031 generally.

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