

1031 Exchange Basics



45 Days

Taxpayer has 45 calendar-days after the Relinquished Property closes (the recording date), to identify potential 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 the QI within the 45 days. The 45-day requirement is strictly enforced with no option for extension.

180 Days

Taxpayer has 180 calendar-days from the sale of the Relinquished Property recording date to purchase the Replacement Property(ies). The 180-day requirement is strictly enforced with no option for extension. Additionally, the taxpayer's Replacement period could be shorter if their tax return due date is prior to the expiration of the 180 days, if that is the case the taxpayer will want to file an extension on to their tax filing.

ID Rules

The IRS provides three identification rules in which the taxpayer can identify Replacement property(ies). The most common being the 3-Property rule, identifying one, two or up to three properties. The 200% rule allows the taxpayer to identify more than three properties so long as the fair market value of all properties does not exceed 200% of the gross sales price of the Relinquished Property. Lastly, the 95% rule states that if the identified properties are in excess of both other rules. Taxpayer must acquire 95% of the value of all properties identified.

LIKE Kind

For a 1031 exchange to be valid, the properties must be Like-Kind. As it pertains to real estate, all real estate is like-kind to other real estate. US Real Estate is like-kind to US Real estate; US real estate is NOT like-kind to Foreign real estate. Examples: an apartment complex exchanged for a cell tower easement; an office building for farmland; or a rental home for water rights. Generally, the only real estate that does not qualify under a 1031 exchange is an exclusive vacation home and personal primary residency.

ID Rules to Purchase

Taxpayer has the option to purchase one or all of the properties identified, Taxpayer is not required to purchase all identified properties. Identifying more than one property provides the taxpayer with more options to ensure they have a Replacement property within the 180-day exchange period. Additionally, taxpayer needs to state how many properties they plan to purchase.

Fee

First Relinquished Property \$935 - First Replacement Property \$350 - Additional Properties \$350 ea.