



# What Every Exchanger Needs to Know

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[www.ipx1031.com](http://www.ipx1031.com)  
Investment Property Exchange Services, Inc.



- What is a 1031 Exchange

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- Why Use a 1031 Exchange

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- Important to Keep in Mind

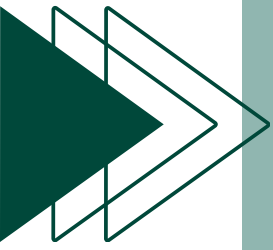
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- 1031 Exchange Checklist

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- Your 1031 Resource

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- Get Started

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# What is a 1031 Exchange?

Section 1031 of the Internal Revenue Code offers real estate investors one of the last great investment opportunities to build wealth and save taxes.

By completing a [1031 Exchange](#), an investor (taxpayer) can defer the capital gains taxes recognized on selling investment property by reinvesting into another [Like-Kind](#) investment property.

The regulations that govern 1031 Exchanges are very specific and must be followed to have a successful exchange.

[!\[\]\(a03a7eb2f4046e1d3c76772003e549ea\_img.jpg\) A Little Background on 1031 Exchanges](#)

[!\[\]\(cbe2492b119e39e02a1dab2af4a4b296\_img.jpg\) 1031 Exchange Logistics Explainer](#)

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# Why 1031 Exchange?

Through a 1031 Exchange, an investor can sell investment property and accomplish a number of valuable tax and investment goals. Depending on your circumstances, opportunities may include:

- Defer taxes (up to 20-40% of the gain)
- Diversify or consolidate a real estate portfolio
- Greater purchasing power
- Increase cash flow
- Move between property types (Land, Industrial, Office, Multi-Family, Retail, Residential, Easements)
- Greater appreciation potential
- Freedom from joint ownership
- Expand into other real estate markets nationally
- Build and preserve wealth
- Estate planning for heirs

 [Why 1031 Exchange?](#)


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# Important to Keep in Mind




The property or properties being sold must have been held by the Exchanger for use in a trade or business or for investment purposes and they must intend to hold the property or properties they are purchasing for use in their trade or business or for investment purposes, i.e. rental homes, commercial property or vacant land. 1031 Exchanges are not appropriate for primary residences, second homes, flips, new construction or development projects.




The Exchanger must initiate an Exchange with a [Qualified Intermediary \(QI\)](#), such as IPX1031 prior to transfer (escrow closing/sale) of the Relinquished Property.



A taxpayer cannot receive cash proceeds (actually or constructively) or other benefits directly from the property sale. To achieve this, the services of a Qualified Intermediary (QI) need to be utilized.



The QI will work with the [taxpayer's advisors](#) and facilitate the entire process of the exchange, including preparing the exchange paperwork, coordinating with the settlement agents and safeguarding and distributing the exchange funds.



There are strict timing deadlines. The Exchanger must identify potential Replacement Property within 45 days (Identification Period) and close on any or all of identified Replacement Property within 180 days (Exchange Period). Both the [Identification](#) and Exchange Periods begin at the transfer of the Relinquished Property.

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# Important to Keep in Mind


Continued




For a complete deferral of taxes, the taxpayer must buy equal or greater in value compared to the Relinquished Property, use all of the proceeds from the sale to acquire Replacement Property and replace the value of any [debt](#) that existed on the Relinquished Property. The debt can be replaced with new debt, seller-financing or cash from outside of the exchange.




The Exchanger must use all the cash in the exchange account for the purchase of Replacement Property or may have [taxable boot](#).



There are restrictions on what the QI can pay for with exchange funds and when unused funds can be refunded to the taxpayer.



Buying the Replacement Property from a person or entity classified as a "[Related Party](#)" requires careful consideration and may not be permitted.



Exchange requirements mandate the same taxpayer that sold the Relinquished Property acquire the Replacement Property. Title to the Replacement Property can be placed in an [entity](#) that is disregarded for federal tax purposes, such as a single member LLC.

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# 1031 Exchange Checklist

1. Choose your 1031 Qualified Intermediary (QI)
2. Consult with your tax professionals
3. Include Cooperation Clause language in your purchase & sale agreement
4. QI prepares your exchange documents
5. Start searching for Replacement Property
6. Sign all documents QI prepares
7. Sell your Relinquished Property
8. Identify your Replacement Property
9. Enter into contract on Replacement Property
10. Contact QI once Replacement Property escrow is opened
11. Close on Replacement Property
12. QI transfers funds to complete your purchase
13. Your exchange is complete

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# IPX1031

## The Best Choice for Your 1031


- Over 30 years in the Exchange industry
- National company owned by FORTUNE 500 Fidelity National Financial (NYSE: FNF)
- Largest financial backing in industry:  
**\$100M Fidelity Bond | \$30M E&O Insurance**  
**\$50M Written Performance Guaranty**
- Attorneys and Certified Exchange Specialists® to guide you and your investment team through the exchange process
- Segregated Bank Accounts
- Full Service Qualified Intermediary with nationwide locations
- Available in your local markets to assist you one-on-one



## Your 1031 Resource



Complimentary strategic 1031 consultations




Quick document preparation for last minute exchanges



Access to IPX team of 1031 experts



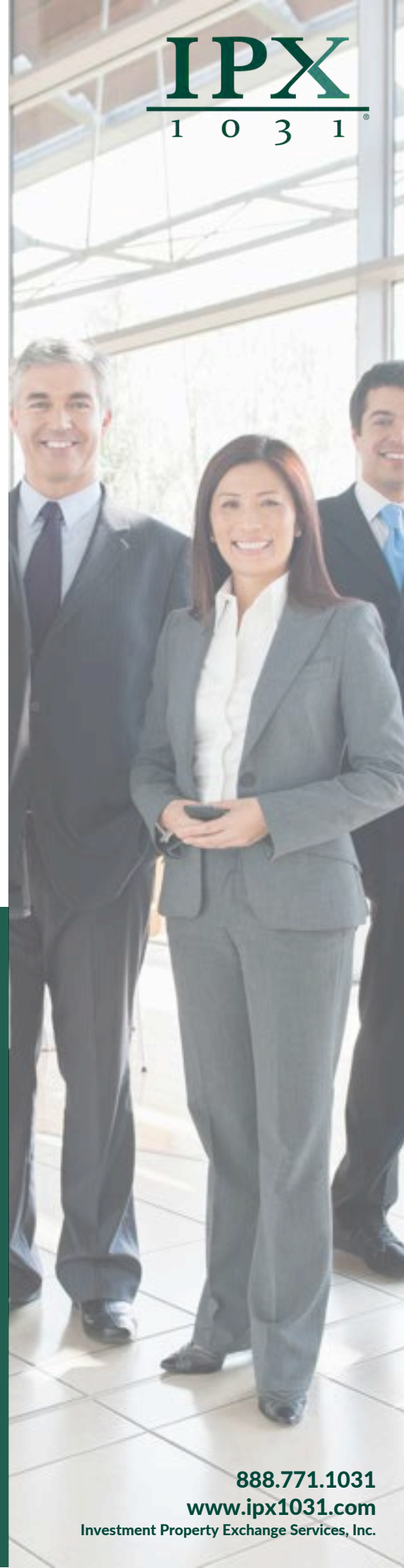
Largest and most secure QI in industry



IPX works with your legal, tax and closing team for a seamless process



Access to key industry information & updates



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# Get Started

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