

About 1031 Exchanges

Section 1031 of the IRS code, when properly followed, allows you to defer up to 100% of the taxes due at the time of the sale. With more to invest, you could increase monthly income and the size of your estate for future generations.

Some important requirements in a 1031 exchange:

- You must use a qualified intermediary to hold sale proceeds. You should engage the intermediary before you put your property on the market or as soon as possible thereafter.
- You must exchange for “like-kind” property. “Like-kind” means any real property held for productive use in a trade or business or for investment purposes. Like-kind can include but is not limited to farm and ranch land, apartments, retail, office, industrial, medical office, self-storage, student and/or senior housing. Keep in mind, you can exchange agricultural land for any other type of investment property outlined here and vice versa.
- The language in all purchase and sale agreements must contain specific 1031 exchange language to qualify.
- You must identify one or more properties for purchase within 45 days from the sale of your relinquished property using either the 3-property rule, the 200% rule, or the 95% rule.
- You must purchase your new property(s) within 180 days after the sale of your original property or when your tax return for that year is due, whichever is first. You should speak with your tax advisor immediately to insure adequate planning time.
- Cash invested in the new property(s) must be equal to or greater than the cash received from the sale of the original property(s).
- The debt placed or assumed on the new property must be equal to or greater than the debt paid off with the sale of the original property. If the debt on the acquired property is not equal to or greater than the amount of debt paid off on the original property, you will owe taxes on the difference.

This list is not all-inclusive and each situation is different. You should discuss your transaction and your goals with us, your qualified intermediary, tax, and legal advisors as early as possible.