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See Our Exchange Manual at
www.efirstbank1031.com

1031 Exchanges

A 1031 exchange is one of the most powerful tax deferral strategies for taxpayers. Taxpayers should never have to pay capital gains tax on the sale of property if they intend to reinvest the proceeds in similar or like-kind property.

The advantage of a 1031 exchange is the ability of a taxpayer to sell income, investment or business property and replace with **like-kind replacement property** without having to pay federal or state income taxes on the transaction. A sale of property and subsequent purchase of a Replacement Property doesn't work; there must be a 1031 Exchange. A 1031 intermediary is needed.

About 1031 Corporation

We are experienced. 1031 Corporation has been offering Intermediary services since 1990. Our services include, at no additional cost, detailed consultation on exchange structure and requirements as well as assistance throughout the exchange process.

We provide a fidelity bond of $25 million per occurrence for maximum security and assurance to our clients. We also carry professional liability insurance of $15 million.

Our clients' exchange proceeds are maintained in segregated Liquid Asset accounts at FirstBank for security and safety.

We are members of the Federation of Exchange Accommodators (FEA), the only national trade association organized to represent professionals who conduct like-kind exchanges under Internal Revenue Code §1031. All of our exchange officers are Certified Exchange Specialist® (CES®) designees and have met the work experience, continuing education and professional knowledge criteria established by the FEA.

The Basic Rules for a 1031 Exchange

The relinquished property must be qualifying property. Qualifying property is held for investment purposes or used in a taxpayer's trade or business. Real estate must be replaced with like-kind real estate. Equipment must be replaced with like-kind equipment.

Property which <u>does not</u> qualify for a 1031 exchange includes a personal residence, land under development for resale, construction or fix/flips for resale, property purchased or held for resale and partnership interests.

Replacement property title must be taken in the same name as the relinquished property was titled. If a husband and wife own property together the replacement property must be deeded to both spouses. Corporations, partnerships, limited liability companies and trusts must be in title on the replacement property the same as they were on the relinquished property.

Types of Exchanges

A Simultaneous Exchange is an exchange in which the closing of the Relinquished Property and the Replacement Property occur on the same day

A Delayed Exchange is an exchange where the Replacement Property is acquired at a later date than the closing of the sale of the Relinquished Property. There are strict time frames established by the Code and Regulations for completion of a delayed exchange, namely the 45-Day Clock and the 180-Day Clock.

A Reverse Exchange (Title-Holding Exchange) is an exchange in which the Replacement Property is purchased and closed on before the Relinquished Property is sold. Usually the Intermediary takes title to the Replacement Property and holds title until the taxpayer can find a buyer for the Relinquished Property and close on the sale under an Exchange Agreement with the Intermediary. The Intermediary then conveys title to the Replacement Property to the taxpayer.

An Improvement Exchange (Title-Holding Exchange) is an exchange in which a taxpayer desires to acquire a property and arrange for construction of improvements on the property before it is received as Replacement Property. It is necessary for the Intermediary to close on, take title and hold title to the property until the improvements are constructed and then convey title to the improved property to the taxpayer as Replacement Property.