

1031 Exchange FAQ

What types of exchanges can Epicdeedservice assist me with?

Exchange Accommodators specializes in creative solutions. We can structure many creative exchanges to meet almost any client's situation. In addition to standard "forward" exchanges, Exchange Accommodators professionals can assist you with:

- Safe-Harbor Reverse Exchanges
- Non-Safe Harbor Reverse Exchanges
- Build-To-Suit Exchanges
- Backward Reverse Exchanges
- Reverse Build-To-Suit Exchanges

What is a tax-deferred or 1031 Exchange?

Internal Revenue Code section 1031 provides that no gain or loss shall be recognized on the exchange of any type of business use or investment property for any other business use or investment property. 1031 Exchanges are not really exchanges in the context of two-party barter. Instead, they are typical sales and purchases that involve the same exact ingredients as any other sale or purchase, without the capital gains. The only real difference is the investor is increasing regulations. No other aspects of the transaction are affected.

Who should consider a 1031 Exchange?

Anyone who is thinking about selling a business use or investment property should consider affecting a 1031 Exchange. An Exchange offers the astute investor an opportunity to reinvest the federal capital gains that would normally be handed over to the IRS and put that money to work for himself. You work too hard to simply pay the tax without carefully considering this reinvestment option. Essentially, 1031 Exchanges should be thought of as an interest free loan from the IRS; one in which the principal may be increased through subsequent exchanges and may never require repayment, if you plan properly.

What are some common misconceptions about 1031 Exchanges?

Many still believe that you must swap properties. Although this was required in the original code, this is rarely done in present times. 1031 Exchanges now enable one to sell their property to someone totally unrelated to the person from whom they are purchasing their replacement.

Many believe only investors of large commercial properties can utilize the benefits of section 1031. The great thing about 1031 Exchanges is that it applies to all investment properties, large and small. It will work the same way for a

corporation selling a large shopping center as it would for an individual selling a single-family home used as rental property in a vacation area.

Many believe you must acquire property of “similar use or service”. While 1031 Exchanges are also known as “like-kind” exchanges, “like-kind” simply applies to real property held for a business use or investment. Therefore, an investor may sell raw land and acquire a five-unit apartment building or sell a warehouse and acquire raw land. He can sell one property and acquire three or sell four and acquire one. Virtually any type of real property used for business or investment will qualify.

Many believe 1031 Exchanges are very complicated and not worth doing. The fact is that when working with a Qualified Intermediary who specializes in Section 1031 tax-deferred exchanges, the exchange process is very simple. The intermediary will keep you aware of your time deadlines and ensure you do everything in strict compliance with IRS regulations.