

## **1031 EXCHANGES OF REAL PROPERTY**

Under 1031, all real property (as it is defined by state law) is considered “like-kind” with other real property of the same nature and quality. The following are examples of qualified “like-kind” real property exchanges:

Raw land for rental property

Single family rental for multi-family rental

Retail space for motel/hotel

Farms/ranch for golf course

30-year leasehold interest for fee simple interest

Non-income producing raw land for income-producing rental property

The use of a qualified intermediary is the most common method used to complete a valid tax-deferred exchange quickly and easily. As a qualified intermediary, your 1031

Company will typically hold funds during the course of deferred exchanges.

There are several steps involved in a 1031 transaction of real property:

The taxpayer signs a contract to sell the relinquished property to the buyer.

Prior to the property closing, the taxpayer retains their 1031 Company to be the qualified intermediary.

At the closing of the relinquished property, the exchange funds are wired or a check is sent to your 1031 Company

Within 45 days after the transfer of the relinquished property, the taxpayer completes the Identification of Replacement Property exhibit and returns it to your 1031 Company (if the taxpayer does not acquire all replacement property within the first 45 days).

The taxpayer has a maximum of 180 days in the exchange period (or until the tax filing deadline, including extensions, for the year of the sale of the relinquished property), to acquire any and all replacement properties.

At the closing of the replacement property, your 1031 Company wires the exchange funds or a check is sent to complete the exchange.

Note: SJ Fowler/GMAC Real Estate, Inc does not provide tax or legal advice, nor can we make any representations or warranties regarding the tax consequences of your exchange transaction. Property owners must consult their tax and/or legal advisors for this information. Our role is limited to serving as a real estate broker in the transaction.

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