

## Six important points for a 1031 Exchange

1. In a Real Property exchange both of the properties in the exchange must qualify for investment or business use. Your personal residence does not qualify.
2. There is a 45 day time frame, from the closing day you sell your first property, in which you must identify the exchange property or properties. The IRS does not give an extension on this time frame.
3. There is a 180 day time frame, from the closing day you sell your property, until you must close escrow on the property or properties you have chosen to exchange. You must receive title by day 180. The IRS does not give an extension on this time frame. If you miss either the 45 day or 180 day deadlines, set by the IRS, then the exchange becomes invalid and you must pay the capital gains tax on the sale of your property.
4. You must use a Qualified Intermediary (QI) for your exchange. The QI acts as your proxy who technically buys and sells the properties in the exchange for you. The exchanger (You ) can not take possession of any money from the exchange transaction
5. You must take title to the new property exactly as you held title to the old property.
6. All money from the sale of your original property must be reinvested into the purchase of the replacement property. In order to defer the capital gains tax, the replacement property must have a value equal to or higher than the original sold property in the exchange.