

DELAYED EXCHANGE:

As an investor in real estate, you understand how important it is to preserve your wealth and assets. If your investment property has appreciated in value or you have depreciated the property, a sale would require the payment of tax on the capital gain of up to 30% or more (combined federal and state). However, if you were to exchange your property utilizing the benefits of IRC Section 1031, you can defer the tax on the gain, allowing reinvestment of all your equity.

The 1031 Tax Deferred exchange offers great flexibility to the investor. You may exchange one property for several others; consolidate several properties into one, eliminate or create joint property ownership, and exchange into property anywhere within the United States. Under this Internal Revenue Code section, you must require property that is “like-kind”, which means other real property held for productive use in a trade or business or for investment. Example of “like-kind” are; raw land for a retail center, an office building for an apartment building, a single family residence rental for an industrial building etc.

Basic Exchange Rules

Two basic rules must be met to completely defer income taxes on the gain realized from the sale of the relinquished property:

1. The purchase price of the replacement property must be equal to or greater than the net Sale price of the relinquished property; and
2. All cash or other proceeds received from the sale of the relinquished property must be used to acquire the replacement property.

Exchange Timeline:

The exchanger has up to 180 days from the close of escrow on the sale of the relinquished property to buy the replacement property. The first 45 days of that period is called the Identification Period. During the identification period, the investor must identify the replacement property. The identification must be in writing, signed by the exchanger, and received by the Intermediary within the 45-day period. Failure to meet the identification deadline or complete the exchange within 180 days results in a failed exchange.

Types of Exchange:

1. Delayed, Reverse, Construction, Simultaneous, Business & Personal

Selecting a Qualified Intermediary:

From the simplest exchange to the most complex, we have built our reputation on expertise, financial strength, and customer satisfaction. Bankers Exchange Services, is one of the few companies that are bank owned nationally. All exchange proceeds are deposited in custodial accounts (interest bearing), and are insured by a Fidelity bond and D&O insurance. If you have any questions, I can be reach at 925-212-1727 or email me at W.Lam@BES1031.COM.

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