

SECTION 1031 EXCHANGES

HOW THEY WORK

PROTECTING INVESTMENTS THROUGH 1031 EXCHANGE



Investment Exchange Group



800.908.131



What is a 1031 Exchange?

Under normal circumstances, when you sell a property you have to pay tax on the gain. Gain is caused by taking depreciation deductions for tax purposes or by the property appreciating in value during its ownership.

A Section 1031 tax deferred exchange, named for the Internal Revenue Code Section it refers to, allows an exception to the capital gains tax. When you sell your business or investment real estate, replace it with a different business or investment real estate, and complete an exchange, you can defer payment of the capital gains tax normally required on these sales.

If your plans include using the money from the sale of a business or investment property to buy more of the same, a 1031 Exchange provides greater proceeds for your next investment—more than you could gain through the re-investment of after-tax proceeds.

A 1031 Exchange is not a tax loophole. It is a section of the Internal Revenue Code, written by Congress, to allow anyone who meets all the requirements to sell their property and defer paying taxes on the gain.

Understanding an Exchange

All relinquished (old) and replacement (new) property must be vacant land, rental property or property used for trade, business or investment.

If the properties meet the following requirements, you may exchange any real estate for any other type of real estate.

- You cannot have actual or constructive control of any of the proceeds received from the sale of the old property. By law, all money is held by a Qualified Intermediary (also referred to as an Accommodator or Facilitator). You cannot have an associate or employee, your attorney, broker or CPA hold the proceeds, nor can you leave the proceeds in escrow until the second property is purchased.
- You have 45 days from the date of closing on the old property to identify a list of properties from which you will purchase the new property.
- From the date of closing, you have 180 days to close on one or more of the properties from your 45-day list.
- The titleholder on the old property must be the same titleholder on the new property.
- You must reinvest all cash proceeds from the sale, and purchase a new property or properties of equal or greater value, in order to avoid taxation on the gains.

IXG's client care, guarantee, and bonding program simplify the exchange process for you.

Selecting a

A Qualified Intermediary (QI) is one of the most important aspects of an exchange. A QI is required by federal tax law and provides a safe harbor for the taxpayer. There are no federal or state laws governing who can be a QI—only laws concerning who cannot serve as your QI (i.e. your attorney, banker, CPA, employee or any family member). There are also no laws regulating training or licensing. However, with thorough research, you can choose your QI with confidence.

- Investigate their experience, background and credentials. They should be CPAs or attorneys with extensive real estate and 1031 Exchange knowledge and expertise.
- Confirm they guarantee their exchanges without additional charges. Do they require you to release your right to sue, or will they pay the penalty if they make a mistake?
- Find out who keeps the interest on the funds they hold. Some QIs will quote low or flat fees and keep the interest earned from the exchange funds that they hold.
- Ensure that your QI is accessible and available to meet with you face-to-face. Can you reach them by phone anytime to answer all questions and eliminate your concerns?
- Verify they are active members of the Federation of Exchange Accommodators (FEA), the only national organization for qualified intermediaries.
- Verify they hold the “Certified Exchange Specialist” designation the only certification for 1031 Exchange consultants.
- Confirm that they carry an independent bond by an insurance company (this is different than title insurance bonding) and that they have Errors and Omissions coverage for your protection.

IXG also Specializes in:

- **Reverse Exchanges:**
When you need to purchase the new property before selling the old property
- **Construction Exchanges:**
When you build on your new property, using proceeds from the sale of your old property
- **Complex Exchanges:**
When an exchange includes any form of indebtedness from the sale of the old property, including trust issues, installment notes, divorce issues, land contracts and non resident alien (FIRPTA) issues
- **Personal Property Exchanges:**
When exchanging non-traditional items such as oil, gas and mineral interests, aircraft or equipment
- **Multi Asset Exchanges:**
When the old property is a combination of real property and personal property

The IXG Incentive

Maximizing our client's investment security and building future wealth preservation with the 1031 tax deferred exchange.

- **Knowledge** - Our CPAs and attorneys, real estate, banking and title professionals are dedicated to providing you with planning and assistance during every stage of your exchange.
- **Available** - IXG is always available to answer your questions and eliminate your concerns.
- **Guaranteed** - We understand the importance of your security. We guarantee your exchange in writing, for your peace of mind.
- **Protection** - IXG exchange funds are fully secured and the interest is paid directly to you. We maintain the largest available Bond in the industry and we carry Errors and Omissions coverage on every exchange consultant.
- **Experience** - Our team of consultants represent over 70 years of combined experience in the 1031 tax, legal, real estate and title industries.

Fee Schedule - Straight Exchanges

Fees are based on the sale price of your property.

Up to \$500,000	\$ 750
\$500,000 - \$1 Million	\$ 1,000
\$1 Million - \$2 Million	\$ 1,500
Above \$2 Million	Call for quote

Additional fees for meetings, consultation and phone calls FREE

You receive interest on your daily exchange balance at the current bank rate.

TaXadvantage®

IXG's TaXadvantage® program provides copies of your exchange information to your CPA. This information is everything needed for preparation of your tax return.

Office Locations

We have consultants nation-wide to help facilitate your exchange. For the Investment Exchange Group office nearest you:

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