

RULES FOR A 1031 EXCHANGE

Avoid Common Mistakes & Better Prepare for Your 1031 Exchange



Rule #1

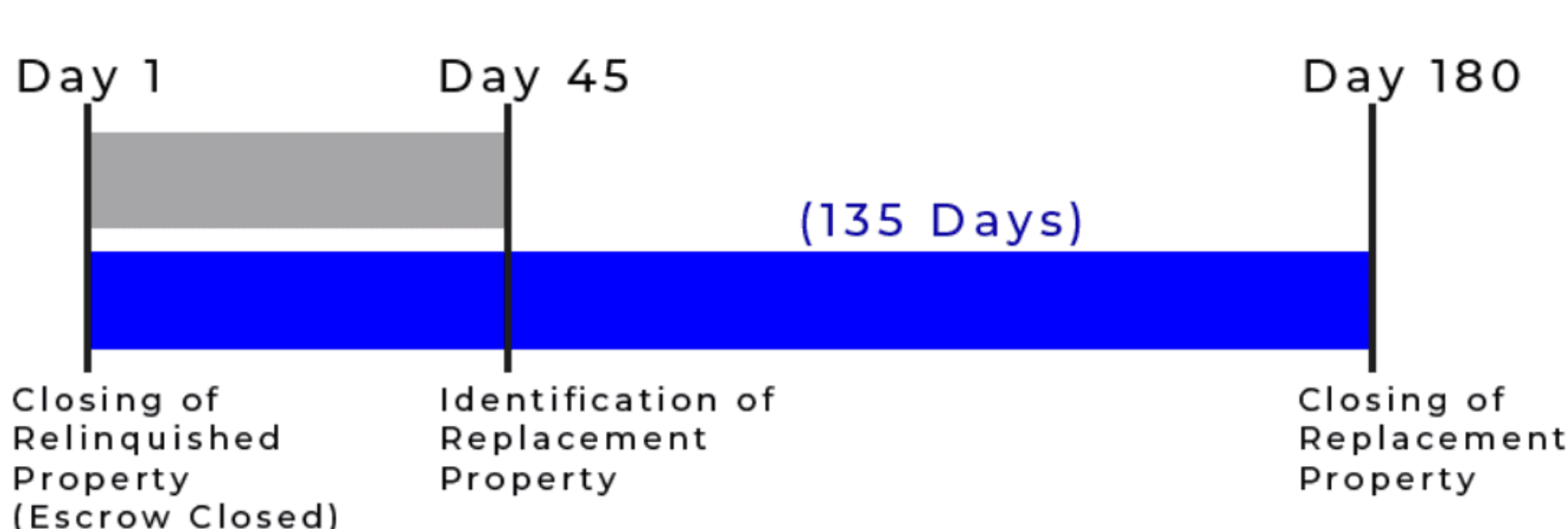
Deadlines

45-DAY DEADLINE:

An investor has 45 days after the initial close of escrow to **identify the new property** that they would like to purchase

180-DAY DEADLINE:

From the original date that the property is sold, at the close of escrow, an investor has 180 days to **complete their 1031 Exchange and close escrow on their new property**



Rule #2

Like-Kind Property

Like-Kind Property Examples

- Single & Multi-Family Rental
- Apartment Building
- Commercial NNN Rentals
- Industrial Building
- Vacant Land
- Hotel

In a 1031 Exchange, the property that an investor trades into must be considered like-kind property

Like-kind property refers to two real estate assets of a similar nature. A **primary residence or a second home, DOES NOT qualify as like-kind property** and will not be eligible for a 1031 Exchange



Rule #3

Greater Or Equal

Example

Relinquished Property

\$1,000,000

Replacement Property

\$800,000

Taxable Gains

\$200,000



To have 100% of the capital gains taxes deferred in a 1031 Exchange, the replacement property needs to have a fair market value that's **equal to or greater than that of the relinquished property**. Otherwise, any remaining balance after the purchase of the replacement property (also known as "the boot") is subject to capital gains tax



Rule #4

Same Name

Identity Verification

The name on the tax return and the title of the relinquished property must match the name on the purchasing documents for the replacement property.

The only exception to this rule is that you can use a single-member limited liability company in lieu of your personal name to sell or purchase an exchange property.



Rule #5

200% & 3 Properties

If an investor is considering trading into more than one property for their 1031 Exchange, they must follow either the **200% rule or the three-properties rule**

3 Properties Rule

A taxpayer can identify one, two, or three properties and acquire one, two, or all three properties as long as the purchase property is greater than or equal to the fair market value of the relinquished property



200% Rule

If more than 3 Properties are being considered an investor can identify as many properties as he likes, as long as the total market value of the identified properties does not exceed 200% of the value of the relinquished property.



More Questions? Contact Us!

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