



QUALIFIED INTERMEDIARY

IPX1031  
*presents*  
*EXCHANGES: 2017*



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# SINCE 1921

**IPX**<sup>®</sup> Investment Property  
Exchange Services, Inc.  
1031 *Tax Deferred Exchange Solutions Nationwide*



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## TYPES OF EXCHANGES

- SIMULTANEOUS
- DELAYED
- REVERSE
- BUILD-TO-SUIT (CONSTRUCTION)
- REVERSE BUILD-TO-SUIT



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1. **180-Day Rule**: The Exchanger must acquire all the replacement property (ies) within 180 days, or the date the Exchanger must file the tax return (including extensions) for the year of the transfer of the relinquished property, whichever occurs first.
2. **45-Day Rule**: The Exchanger must identify the potential replacement property (ies) within the first 45 days of the 180-day Exchange Period.
3. There is no extension for these deadlines for Saturdays, Sundays or holidays.





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“No gain or loss shall be recognized on the exchange of property held for productive use in a trade or business or for investment if such property is exchanged solely for property of like-kind which is to be held either for productive use in a trade or business or for investment.”



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**“I WISH THAT I DIDN’T NEED TO EXCHANGE A  
DUPLEX FOR A DUPLEX!”**





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**YOU DON'T! THE LIKE-KIND  
RULES FOR REAL ESTATE ARE  
EXTREMELY FLEXIBLE!**



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## BASIC 1031 RULES

In order to defer 100% of capital gain taxes, the Exchanger must:

- Reinvest all of the net proceeds from the relinquished property.
- Obtain equal or greater financing on the replacement property than was paid off on the relinquished property (Replacement property debt can be offset with cash put into the exchange.).
- Receive nothing in the exchange but *like kind* property.

It is OK to defer some tax  
and chose to pay some tax!





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## Qualified Intermediary

The use of a Qualified Intermediary is essential to completing a valid delayed exchange. The Qualified Intermediary performs several vital functions in an exchange.

### **Acts as a Principal**

To qualify as an exchange a reciprocal trade or actual exchange must take place in each IRC §1031 transaction. This means the Exchanger must enter into a written exchange agreement and assign to a Qualified Intermediary: (1) their interest as seller of the relinquished property and (2) their interest as buyer of the replacement property. By becoming an actual party to the exchange, a reciprocal trade takes place even when there are three or more parties involved in an exchange transaction (i.e. when the Exchanger is purchasing the replacement property from someone other than the buyer of their relinquished property). The Qualified Intermediary cannot be the Exchanger and must be an Independent Party (not DISQUALIFIED) to the transaction.



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## **Holds Exchange Proceeds From Constructive Receipt**

The Exchanger cannot have the right to receive, pledge, borrow, or otherwise receive the benefits of the exchange proceeds. If the Exchanger actually or constructively receives any of the proceeds from the sale of their relinquished property, those proceeds will be taxable as boot and the entire exchange may be jeopardized.

## **Prepares Legal Documentation**

Several legal documents are necessary in order to properly complete an exchange, including an Exchange Agreement, two Assignment Agreements and Exchange Closing Instructions to each closer.

## **Provides Quality Service**

Although the process is relatively simple, the rules are complicated and filled with potential pitfalls. An experienced Qualified Intermediary is essential to a smooth transaction.



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## Disqualified Parties

*A disqualified party is a person or entity who:*

1. Is a “Related Party” to the Exchanger;

OR

2. Is related to the Exchanger by substituting 10% for 50% (IRC Sections 276 (b) and 707 (b) for related corporations, partnerships or trusts);

OR



## QUALIFIED INTERMEDIARY

3. Within the 2 years preceding the transfer of the relinquished property, the person acted as the Exchanger's:

- Employee
- Attorney
- Accountant
- Real Estate Broker or Agent
- Investment Bank or Broker

*Exceptions* - if the person or entity only provides the Exchanger with:

- A. Routine financial, trust, title insurance or escrow services; or
- B. Services solely with respect to the exchange of property.

***Note: To obtain the Safe Harbor protection against constructive receipt of the exchange funds a disqualified person or entity may not act as an intermediary for the exchange.***



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- Remember to add [www.ipx1031.com](http://www.ipx1031.com) to your “favorites” on your computer.
- Put me as “1031 Greg” in your contacts
- Free online webinars are available each month.
- Call Greg at (866) 443-1031 at any time for exchange assistance.



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# QUESTIONS

