



In a reverse 1031 exchange, an Exchange Accommodation Titleholder ("EAT") will receive title to either relinquished or replacement property. For purposes of this discussion, we will address the holding of replacement property (the "Parked Property"). Documentary stamp tax is paid when the Parked Property is transferred to the EAT. At the conclusion of the holding period, the EAT must transfer the Parked Property to the taxpayer to complete the reverse 1031 exchange. Upon such transfer of the Parked Property from the EAT to the taxpayer, additional document stamp taxes may be charged. The tax is typically based on the increased value of the Parked Property from the time the EAT took ownership until the Parked Property is transferred to the taxpayer at the conclusion of the reverse 1031 exchange. This approach was validated by The Florida Department of Revenue (DOR) on January 2, 2001, in Technical Assistance Advisement No. 07M-001, as well as Florida Administrative Code (FAC) Rule 12B-4.014(5).

However, at this time, there is no formal procedure in place with the DOR to exclude the document stamp costs on the transfer from the EAT to the taxpayer in a reverse 1031 exchange. Therefore, to exclude the document stamps on the transfer of the Parked Property from the EAT to the taxpayer, consider adding language to the Warranty Deed which includes the following:

- Reverse 1031 Exchange – Exempt Transaction;
- Reference the Technical Assistance Advisement No. 07M-001 and FAC 12B-4.014(5);
- The date and amount when the document tax was paid;
- The date, recording and document stamp information provided on the Warranty Deed when the EAT took title; and
- Exemption language to the Warranty Deed as noted below:

"Grantor acquired title to the real property described herein as an exchange accommodation titleholder by Warranty Deed dated XX and recorded XX in Official Records XX at Page XX, of the Public Records of XX County, Florida, and is acting solely as an agent for the Grantee, the taxpayer in a reverse Section 1031 exchange transaction. Grantor is conveying title to the real property described herein to Grantee to complete the 1031 exchange transaction. Documentary stamp taxes in the amount \$XX were paid at the time of recordation of the referenced deed; therefore, only nominal documentary stamp taxes are due on this conveyance."

Asset Preservation recommends that clients contact the Document Stamps Department of the DOR at 850-617-8346 to verify the accuracy of a request to waive document stamps on the transfer from the EAT to the taxpayer. For taxpayers seeking to obtain a refund for document stamps paid on a reverse exchange transfer when they should not have been paid, download [Form DR-26, Application for Refund](#), and submit the supporting documentation. Please verify this approach with the DOR as Asset Preservation, Inc., cannot provide tax or legal and document transfer tax advice in any manner.

Compliments of:



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