

Stages of a 1031 Exchange

Follow These Simple Steps for a Successful Transaction

1031

Knowledge

RELINQUISHED PROPERTY SALE (PHASE I)

Contract:

1. Negotiate and sign the purchase and sale agreement (contract) for the sale of the relinquished property as the seller and/or assignee.
2. If possible, include language in the contract to establish an intent to perform a 1031 exchange and have the buyer agree to an assignment of the contract. (Contact API for the suggested 1031 exchange cooperation language.)

Closing:

1. Contact Asset Preservation, Inc. (API), after the purchase and sale agreement has been signed by all parties. The 1031 exchange must be set up prior to the relinquished property closing.
2. Information needed by API:
 - a. Phone number, email and reference number for closing officer/closing attorney;
 - b. Taxpayer's mailing address, phone number, and email;
 - c. Sales price and approximate debt owed (mortgage payoff amount);
 - d. Legal vesting as reflected on title;
 - e. Copy of the Title Commitment; and,
 - f. Will the taxpayer be providing seller carryback financing (i.e. carrying a note) on the sale of the relinquished property?
3. API will contact the closing officer/closing attorney and forward the Exchange Agreement and necessary 1031 exchange documents.
4. Copies of all documents will be forwarded to the taxpayer via email.
5. The closing officer/closing attorney will obtain all signatures on the Exchange Agreement and all exchange documents.
6. Once all parties have signed and all closing conditions are met, the transaction is closed.
7. Exchange proceeds will be wired by the closing officer/closing attorney to API.

Compliments of:



HQ 800.282.1031 | NY 866.394.1031
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Asset Preservation, Inc. (API) is a qualified intermediary as defined in the regulations under Internal Revenue Code §1031. Neither API, its officers or employees are authorized or permitted under applicable laws to provide tax or legal advice to any client or prospective client of API. The tax related information contained herein or in any other communication that you may have with a representative of API should not be construed as tax or legal advice specific to your situation and should not be relied upon in making any business, legal or tax related decision. A proper evaluation of the benefits and risks associated with a particular transaction or tax return position often requires advice from a competent tax and/or legal advisor familiar with your specific transaction, objectives and the relevant facts. We strongly urge you to involve your tax and/or legal advisor (or to seek such advice) in any significant real estate or business related transaction. © 2018 Asset Preservation, Inc. All rights reserved.

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REPLACEMENT PROPERTY PURCHASE (PHASE II)

Identification:

1. The taxpayer has 45-calendar days from closing on the relinquished property to identify replacement property.
 - a. For a 1031 exchange to be fully tax deferred, a taxpayer must acquire replacement property of equal or greater net sales price and reinvest all of the net proceeds from the relinquished property sale.
2. API will forward the following to the taxpayer:
 - a. Date the relinquished property closed;
 - b. 45th day for the Identification Date requirement;
 - c. 180th day for the exchange period requirement;
 - d. Confirmation of receipt of exchange proceeds; and,
 - e. "Replacement Property Identification Letter" which outlines the specific identification rules
3. Forward the signed "Replacement Property Identification Letter" with the property or properties identified before midnight of the 45th date from the relinquished property sale closing.

Contract:

1. Sign the purchase and sale agreement for the purchase of the replacement property as the buyer and/or assignee.
2. If possible, include language in the contract to establish an intent to perform a 1031 exchange and have the seller agree to an assignment of the contract.

Closing Stage:

1. Contact API after signing the Purchase Contract.
2. Information needed by API:
 - a. Phone number, email and reference number for closing officer/closing attorney;
 - b. Purchase Price; and,
 - c. Will an earnest money deposit be needed from API account?
3. API will contact the closing officer/closing attorney and prepare the necessary exchange documents and withdrawal authorization.
4. The closing officer/closing attorney will obtain signatures on all necessary exchange documents.
5. After all parties have signed the exchange documents and API receives the withdrawal authorization from the closing agent, the exchange proceeds being held by API will be wired to the closing officer's/closing attorney's account.

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