



1031 EXCHANGE WORKSHEET

TRADITIONAL SALE		VS.	1031 EXCHANGE	
<ul style="list-style-type: none"> Pay capital gains tax on the sale of the investment property. 			<ul style="list-style-type: none"> Defer the 100% of the capital gains tax and keep your capital working for you. 	
EXCHANGED PROPERTIES MUST BE OF “LIKE-KIND”				
<p>WHAT <i>IS</i> LIKE-KIND PROPERTY?</p> <ul style="list-style-type: none"> Investment property is any property or asset acquired and held for productive use in trade or business (income production) or held for investment. Exchanged properties need not have the same exact use, as long as they are both investment property. Business use assets, like construction equipment and company vehicles, qualify. Delaware Statutory Trusts (DST) qualify. 			<p>WHAT <i>IS NOT</i> LIKE-KIND PROPERTY?</p> <ul style="list-style-type: none"> Primary residences and vacation homes are <i>most often times</i> personal use. Property acquired solely for development and resale, condo conversions, & flipping. Securities such as stocks, bonds, mutual funds, REITs (unless it’s an UPREIT). Partnership interests, membership in an LLC (unless single member LLC), and shares of stock. <i>Exception: coop units.</i> Located outside of the United States. 	
CHOOSE A REPUTABLE “QUALIFIED INTERMEDIARY”				
<p>The “QI” must be an independent party (not the investor’s real estate broker, attorney, accountant, or family member) that holds the proceeds from the sale of the Relinquished Property and applies these proceeds to the purchase price of the Replacement Property. Contact us to set up a 1031trx account!</p>				
45-DAY “IDENTIFY” RULE & 180-DAY “CLOSE” RULE				
<ul style="list-style-type: none"> 45 days to identify possible Replacement Property after sale of Relinquished Prop. 3 Property Rule: You identify up to 3 properties and purchase any (or all) of them, regardless of their total value. 200% Rule: You identify more than 3 properties, as long as their combined value doesn’t exceed 200% of the value of the Relinquished Property. 95% Rule: You identify an unlimited number of properties, but you must purchase 95% of their combined value. 			<ul style="list-style-type: none"> 180 days to close on the Replacement Property after sale of Relinquished Prop. This 180-day deadline can be sooner depending on where it falls in relation to the IRS income tax reporting deadline. 1031trx, LLC can alert your tax professional of the need for a reporting extension for income taxes. After the closing, fill out Form 8824 and file it with your regular tax return. Reverse Exchange: Switch! When the Replacement Property is purchased first. 	
ALL PROCEEDS MUST BE REINVESTED, OR IT’S “BOOT”				
<p>The rule of thumb is to “trade across or up, never down.” Additional proceeds received from the sale of Relinquished Property, leftover after the purchase of the Replacement Property, are taxable as “boot.”</p> <ul style="list-style-type: none"> Mortgage Boot: Reducing your debt liability when you exchange the properties is considered <i>taxable income</i>. So, the amount you finance to purchase the Replacement Property should be equal to the amount owed on the Relinquished Property. And, your equity in the Replacement Property should be equal or greater to the equity you had on the Relinquished Property. 				