

WHAT IS A QUALIFIED INTERMEDIARY?

A Qualified Intermediary (QI) is crucial to completing a successful 1031 tax deferred exchange. **1031trx LLC (1031trx)** is a professional QI that validates 1031 exchanges across the United States by structuring exchanges under the “safe harbor” provisions and IRC §1031 set out by the IRS.

When choosing a QI, it is imperative to understand that agents of the Exchanger (e.g., attorneys, real estate agents, and accountants performing services in the 2 years preceding the 1031 exchange) are specifically disqualified from acting as the QI.

Also, the QI industry is not adequately regulated so Exchangers should carefully vet that QI for area **expertise** and **funds security** before funds are exchanged.

- 1031trx is a QI owned and operated by a licensed New York State attorney who also practices real estate law in midtown Manhattan;
- 1031trx holds exchange funds in a segregated attorney IOLA escrow account, providing full FDIC insurance; and
- 1031trx also has a Fidelity bond and is insured with an errors/omissions policy (evidence provided to clients upon request).

First, the QI and Exchanger enter into an “Exchange Agreement,” which states the duties and obligations of each party and is **signed before the sale of Relinquished Property**. Other form documents to the 1031 Exchange include Purchase and Sale Assignments, Notices of Assignments, and a Replacement Property Identification Notice, which are all prepared by 1031trx.

During the 1031 exchange, the QI holds the proceeds from the sale of Relinquished Property (**the “exchange funds”**) and later uses those exchange funds to purchase Replacement Property on behalf of the Exchanger. The Exchanger is prohibited from having constructive receipt of the exchange funds, including the ability to pledge, borrow, or otherwise obtain benefits from them. Treas. Reg. 1.1031.(k)-1(g)(6).

A valid 1031 exchange requires the **Exchanger to assign to the QI** (1) Exchanger’s interest as seller of the Relinquished Property, and (2) Exchanger’s interest as buyer of the Replacement Property. The QI never enters the chain of title to any of the Relinquished or Replacement Properties.