

# TAX DEFERRED EXCHANGE

## 1031

A sale is an exchange of real property for cash. A sale and repurchase of like-kind property following the Internal Revenue guidelines is an exchanger; a “non-taxable” sale.

### What provisions are required?

A Purchase and Sale Agreement should contain language establishing the exchanger’s intent and notifying the buyer of the exchange. Examples are as follows...

#### When Selling:

“It is the intent of the Seller to perform an IRC Section 1031 tax deferred exchange by trading the property herein with (name) Tax Exchange agent. Seller agrees to execute an Assignment Agreement at the request of Buyer at no additional cost or liability to Seller.”

#### When Buying:

“It is the intent of the Buyer to perform an IRC Section 1031 tax deferred exchange by trading the property herein with Exchange Service. Seller agrees to execute an Assignment Agreement at the request of Buyer at no additional cost or liability to Seller.”

#### Can an investor trade from several small properties into one large one?

**Yes.** An investor can also trade out of one large property into several smaller ones. When selecting more than one replacement property, investors must adhere to the Treasury guidelines regarding property identification.

#### How are the exchange funds protected?

The intermediary should have a variety of bonded exchange accounts including semi-fettered accounts, letters of credit, Treasury-backed and FDIC insured accounts.

#### Can an investor take some of the cash and exchange the remainder?

**Yes.** Any cash received can be subject to capital gains tax. If done properly, this won’t affect partial deferment.

*The true power of exchanging is the ability to meet investment objectives without losing equity to taxation. You should always consult with a Tax Deferred Exchange agent for current tax laws and provisions.*

**If you would like to have a Tax Deferred Exchange Booklet for your files, email or call me and I will be happy to forward one to you...no obligation.1-888-299-7893 / lora@lorachambers.com**

