

# 1031 EXCHANGE PROCESS

## Section 1031 of the Internal Revenue Code can be an important wealth-preserving tool for real estate investors

Internal Revenue Code §1031 allows investors to defer the payment of capital gains taxes when selling investment property and exchanging into other qualified investment property.

Strict adherence to the legal requirements of §1031 is required for a successful exchange. Investors should be aware of five basic requirements when entering into an exchange, and should seek the advice of a tax accountant or attorney to ensure proper adherence to the tax code and IRS regulations:

### 1. Property Qualification

Both your relinquished property and your replacement property must be held for investment or for productive use in a trade or business. Personal residences, vacation homes, development inventory and flipped properties do not qualify for a §1031 exchange. Only U.S. property can replace U.S. property.

### 2. Exchange Accommodator (Qualified Intermediary)

Your escrow agent must transfer the proceeds of your sale directly to a Qualified Intermediary ("QI"). Before you close your sale, you must establish an account with a QI, who will coordinate with your escrow agent. We recommend using a member of the Federation of Exchange Accommodators.

### 3. Timeline

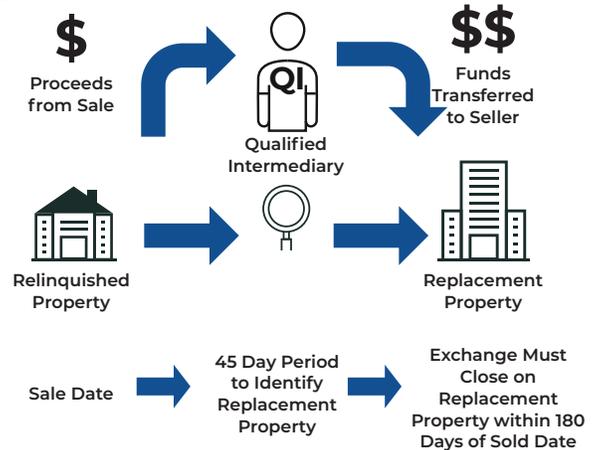
You must identify your replacement property within **45 days** after closing your sale, by submitting an "ID Letter" form to your QI. You must acquire your replacement property within **180 days**. There are no personal exceptions to these rules. The federal government may extend deadlines due to regional disasters.

### Consult with your tax or legal professional before investing.

This is for informational purposes only, does not constitute as individual investment advice, and should not be relied upon as tax or legal advice. Please consult the appropriate professional regarding your individual circumstances.

There are material risks associated with investing in real estate securities including liquidity, tenant vacancies, general market conditions and competition, lack of operating history, interest rate risks, the risk of new supply coming to market and softening rental rates, general risks of owning/operating commercial and multifamily properties, short term leases associated with multi-family properties, financing risks, potential adverse tax consequences, general economic risks, development risks, long hold periods, and potential loss of the entire investment principal.

Securities offered through Concorde Investment Services, LLC (CIS), Member FINRA/ SIPC. Advisory Services offered through Concorde Asset Management, LLC (CAM), an SEC-registered Investment Adviser. 1031 Capital Solutions is independent of CIS and CAM, all of whom are independent of Federation of Exchange Accommodators.



### 4. Identification Limits

If you complete your §1031 replacement acquisition within 45 days, no ID Letter is required. Otherwise, the IRS limits the number or value of replacement properties you may identify as follows:

**Three-property rule** - identify up to three properties of any value - **OR** -

**200% rule** - identify four or more properties; their total value cannot exceed 200% of the property sold - **OR** -

**95% rule** - identify any number, of any price, and acquire at least 95% of the total value (this rule is rarely used)

### 5. Reinvestment Requirements

To defer 100% of the capital gains tax liability, two requirements must be met:

**Reinvest all the cash** - all the cash that was generated from the sale of the relinquished property must be reinvested into the replacement property or properties

**Purchase equal or greater value** - the replacement property (or properties) must be equal or greater in value to the relinquished property