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Certified Exchange Specialist® On Staff:

Like-kind exchanges under Internal Revenue Code Section 1031 afford property owners a compelling opportunity to defer capital gains tax, but only if the transaction adheres to specific IRS requirements.

In 1991, the U.S. Treasury Department enacted regulations designed to allow taxpayers up to 180 days to exchange investment and business property, such as a rental house or bare land, for other like-kind replacement property of equal or greater value. The regulations created a safe harbor requiring the use of a qualified intermediary (or exchange accommodator) should a property owner wish to defer the capital gains generated from their investment property sale under IRC Section 1031. The regulations do not place any restrictions on who can act as an exchange accommodator, and the Treasury Department does not monitor or in any way control the industry. As a result, today's exchange accommodators hail from a number of professions, including: real estate professionals, lawyers, title professionals, accountants, and independent financial consultants. Literally anyone who is not directly involved as a party or as an agent for the party to the exchange transaction can serve as a qualified intermediary. The regulations are complex and unusual, and an exchange accommodator without formal training and real life experience is likely to miss one or more key requirements that will invalidate the transaction, negating the tax benefits and resulting in unnecessary IRS penalties.

In 1989, the Federation of Exchange Accommodators (the "FEA") was established to provide professional exchange accommodators with an educational forum and advocacy platform. In an effort to "self-police" the industry, the FEA began bestowing the designation of Certified Exchange Specialist® ("CES®") to those individuals who meet specific work-experience criteria and pass a comprehensive examination on exchange laws and procedures. Additionally, the candidates are subjected to a background investigation and eliminated if they have committed any offenses involving theft or the loss of a professional license. CES® designees must adhere to a code of ethics and maintain continuing education every two years.

The FEA established the CES® certification to enhance the professionalism and expertise of its exchange industry members. Over three years of research and planning went into the development and design of the CES® certification program. To date, nearly 200 exchange accommodators have succeeded in becoming certified, demonstrating that they have attained a nationally recognized professional standard of knowledge in the exchange facilitation field.

The FEA is actively encouraging all of the owners and employees of its member companies to become certified, and are advising property owners considering a like-kind exchange not to proceed with the transaction without first consulting with a Certified Exchange Specialist®. Likewise, with the advent of the CES® designation, it is essential that a referring professional — such as a REALTOR®, attorney or accountant — notify their exchangers that using an exchange

accommodator company that employs CES[®] designees is not only the prudent thing to do, but quite possibly the only thing to do.

David Brown, President and owner of IPE 1031, holds the designation of Certified Exchange Specialist[®].

Services provided by IPE 1031 are not legal services. No attorney-client relationship exists between IPE 1031, its officers or employees, and exchangers. Taxpayers considering an exchange transaction are strongly encouraged to consult with tax and/or legal counsel prior to undertaking a Section 1031 exchange transaction.