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How To Begin

Planning is a critical element in any Section 1031 exchange.

It is extremely important for taxpayers to contact IPE 1031 prior to undertaking a Section 1031 tax-deferred exchange. Taxpayers must structure Section 1031 transactions so they fall within one of the safe harbors provided by the I.R.S. Taxpayers who utilize IPE 1031 as the accommodator for their exchange will fall within the qualified intermediary safe harbor. At a minimum, taxpayers should contact IPE 1031 as soon as possible and prior to closing on the sale of their relinquished property(ies).

Clients desiring to execute a Section 1031 exchange should include cooperation language in the relinquished property purchase and sale agreement. IPE 1031 will provide exchanging taxpayers and/or their tax/legal advisors with suggested language for the purchase and sale agreement detailing the taxpayer's intent to execute a Section 1031 exchange. For a delayed exchange, an example of such language follows.

It is the intention of seller to transfer the above-listed property pursuant to Internal Revenue Code Section 1031, which sets forth the requirements for tax-deferred real estate exchanges. Seller's rights and obligations under this and future agreements will be assigned to IPE 1031, qualified intermediary, for the purpose of completing an exchange. Buyer of the above-listed property agrees to cooperate with seller and IPE 1031 in a manner necessary to enable seller to complete said exchange. Such cooperation shall be at no additional cost or liability to buyer.

IPE 1031 will consult with the taxpayer and/or the taxpayer's team of tax/legal advisors to aid in the successful implementation of the exchange. Step-by-step, detailed instructions are provided to each client and to the client's advisors.

PLEASE NOTE: Careful attention must be paid by the exchanging taxpayer to ensure that a qualified intermediary has been retained prior to the sale of the relinquished property, that closing on the relinquished property does not occur without execution of appropriate exchange documents and that the taxpayer or the taxpayer's agents do not receive any of the proceeds from the sale. Additionally, absent additional planning and documentation, it is not possible to close on the purchase of replacement property prior to closing the sale of the relinquished property. In this case, a reverse exchange must be implemented. Please contact IPE 1031 for more information if you are considering a reverse exchange transaction.

Tax and legal consequences may have a dramatic impact on a taxpayer's decision as to whether he or she should utilize Section 1031. The I.R.S. requires that we remain an independent third party to your exchange transaction. As a result, several areas exist in which IPE 1031 cannot advise taxpayers or their agents. IPE 1031 cannot serve as a tax or legal advisor, and can only answer questions related to its role in the exchange and Section 1031 requirements. Taxpayers are strongly encouraged to speak with tax and legal advisors before an exchange.