



EXETER

1031 Exchange Services LLC

1031 Exchange Quick Reference Guide

1031 Exchange Benefits

The sale of real estate or personal property often results in a capital gain tax that can be as high as 35% of the profit. It's much more difficult to reinvest in replacement property when you must pay this much in taxes. That's why 1031 Exchanges are such a popular tax deferral strategy.

The 1031 Exchange allows you to indefinitely defer the payment of your capital gain and depreciation recapture taxes when you sell real estate or personal property and reinvest in replacement property. You keep all of your money invested and working for you instead of paying Federal and state taxes.

Generally, you can defer Federal capital gain taxes that can be as high as 15% and Depreciation recapture taxes at 25%. You can generally defer your state income taxes as well. You should always consult with your tax advisor to ensure that the 1031 Exchange strategy is right for you.

1031 Exchange Structures

Once you have met with your tax advisor, you need to decide which 1031 Exchange structure is most appropriate for you. Here is a quick summary of the various 1031 Exchange structures available for your use.

Simultaneous or Concurrent 1031 Exchange – Your relinquished property and replacement property transactions both close at the exact same time.

Forward or Delayed 1031 Exchange – The sale of your relinquished property closes first and the acquisition of your replacement property closes later within the prescribed deadlines.

Reverse 1031 Exchange – Your replacement property is acquired and held or "parked" by your 1031 Exchange Qualified Intermediary first, and then your relinquished property is subsequently sold and closed within the prescribed deadlines.

Build-to-Suit (Improvement or Construction) 1031 Exchange – Your 1031 Exchange proceeds from the sale of your relinquished property are used to acquire your like-kind replacement property and improve the replacement property through the 1031 Exchange process.

Exeter 1031 Exchange Services, LLC
402 West Broadway, Suite 400, San Diego, California 92101
Office: (619) 239-3091 • Facsimile: (866) 393-8371 • Web site: www.exeter1031.com

San Diego • Newport Beach • Los Angeles • Fresno • San Francisco
Pennsylvania • Chicago • New York • New Jersey • Delaware • Hawaii



EXETER

1031 Exchange Services LLC

Personal Property Exchange – You can also sell personal property and exchange for other personal property of like-kind or like-class. For example, you can exchange an aircraft for another aircraft.

Foreign Property Exchange – Foreign real and personal property can be sold and exchanged for other foreign real and personal property. For example, we just helped a client sell a flat in London and exchange into another flat in London.

1031 Exchange Qualifications

We need to make sure that your 1031 Exchange is properly structured and in compliance with the applicable tax codes, regulations and rulings. The following summarizes the basic requirements for a successful 1031 Exchange.

Qualified Intermediary – You must retain the services of a Qualified Intermediary to administer your 1031 Exchange before you close on any property. Exeter 1031 Exchange Services, LLC can assist you and prepare the necessary legal document to properly structure your 1031 Exchange.

Qualified Use Property – Your relinquished property (sale) and your replacement property (purchase) must be held for rental or investment or used in your trade or business to qualify for 1031 Exchange treatment. You must have the **intent to hold** the properties for investment. Properties held for personal use or held for sale do not qualify for 1031 Exchange treatment.

Like Kind Property – The replacement property acquired in your 1031 Exchange must be "like-kind" to the relinquished property sold. ANY kind of real property is like-kind to ANY other kind of real property as long as both properties are held for rental or investment or used in your business. Like-kind does NOT mean condo for condo or apartment for apartment.

1031 Exchange Reinvestment Requirement

Trade Equal or Up In Value – You must exchange equal or up in value based upon the net sales price of your relinquished property. The total purchase price of your replacement properties must be equal to or greater than the net sales price of your relinquished properties.

Reinvest 100% of Net Proceeds – 100% of your net cash proceeds generated by the sale of your relinquished property must be reinvested in your replacement property. Cash can be pulled out, but it will always be taxable.

Obtain Equal or Great Debt – The difference between the total purchase price(s) and the net proceeds reinvested in the replacement properties will always be the correct amount of new

Exeter 1031 Exchange Services, LLC
402 West Broadway, Suite 400, San Diego, California 92101
Office: (619) 239-3091 • Facsimile: (866) 393-8371 • Web site: www.exeter1031.com

San Diego • Newport Beach • Los Angeles • Fresno • San Francisco
Pennsylvania • Chicago • New York • New Jersey • Delaware • Hawaii



EXETER

1031 Exchange Services LLC

debt to place on the acquired properties, unless you wish to put more cash into the transaction and obtain less debt.

1031 Exchange Deadlines

You have exactly 45 calendar days to identify your potential replacement properties.

You have exactly 180 calendar days to complete your 1031 Exchange by closing on the purchases of your replacement properties. The 180 days includes the 45 days to ID.

1031 Exchange Identification Rules

You must comply with one and only one of the following identification rules:

3-Property Rule – You can identify up to three (3) potential replacement properties, without regard to their fair market value. The limit is on the number of properties identified and not the fair market value of the properties identified.

200% of FMV Rule – You can identify any number of potential replacement properties, but the total fair market value of all the properties that you identify cannot exceed 200% of the fair market value of the relinquished (sale) properties. The limit is on the fair market value of the properties identified and not on the actual number of the properties identified.

95% Exception – You may identify as many replacement properties as you want, but you must actually acquire and close on 95% of the fair market value identified. If you identify \$10 million in replacement properties, you must actually close on \$9.5 million under the 95% Exception.

Please feel free to call Exeter 1031 Exchange Services, LLC with any additional questions that you might have. We are always available to assist you. (619) 239-3091 or (866) 393-8370.

Exeter 1031 Exchange Services, LLC
402 West Broadway, Suite 400, San Diego, California 92101
Office: (619) 239-3091 • Facsimile: (866) 393-8371 • Web site: www.exeter1031.com

San Diego • Newport Beach • Los Angeles • Fresno • San Francisco
Pennsylvania • Chicago • New York • New Jersey • Delaware • Hawaii