



# Understanding 1031 Tax-deferred Exchanges

## What is a 1031 Tax-deferred Exchange?

- Section 1031 of the Internal Revenue Code
- Dispose of Property held for productive use in Business, Trade, and/or Investment
- Acquire "like kind" Replacement Property held for productive use in Business, Trade, and/or Investment
- Tax Deferring tool – Don't pay taxes now if you don't have to.

## Why Exchange?

- Defer Taxes- Use to acquire properties/build wealth
- Consolidate – several properties for one
- Diversify – one property for several
- Relocate to another geographic area
- Increase cash flow – land for improved property
- Eliminate property management headaches
- Eliminate a co-ownership problem
- Implement an estate plan
- Maximize leverage

## Types of Exchanges First American Exchange Company Handles.

- Forward Exchange – Most Common
- Reverse Exchange – Buying before you sell
- Build-to-suit/Improvement Exchange – Using exchange funds to improve property within 180 day period.

A person has 180 days to complete the exchange, the first 45 days of that 180 is when they identify property they intend on purchasing over the exchange period.