

Key Issues for 1031 Exchanges

To benefit from a 1031 exchange please be certain that the following requirements are met:

1. The escrow instructions must indicate that Seller (Buyer) will accommodate Buyer (Seller) in enacting a 1031 exchange.
2. You cannot “touch” the money. If it is transferred into your bank account or you have control over it (i.e. the check is made out to you), the 1031 exchange is void. Normally an accommodator becomes involved and receives the proceeds from the sale of the property.
3. You have only 45 days from close of escrow to identify the replacement property. The best way to do this is to open escrow on the replacement property. You can meet this requirement by writing a letter and having it delivered to your accommodator and Escrow Company, identifying up to three properties. There is another option allowing more than three properties to be identified, but there are some moderately complex requirements to meet this requirement. Please discuss with us before the 45 days are up how you can meet this 45 day requirement.
4. You have 180 days from close of escrow on the old property to close escrow on the replacement property(ies). This is less than six months by a few days, so do a count of days if you are getting close to the 180 day period.
5. You must obtain a loan on the new property equal to or greater than the loan on the property you sold.

This information is provided as a service and can only be relied upon with consultation of your Accountant.

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