



A 1031 exchange allows you to invest the profits from the sale of one investment property into a similar or “like-kind” and often more valuable property within 180-days, and potentially defer federal capital gains taxes indefinitely.

1031 EXCHANGE RULES & TIMELINE

- The property you sell and the property you buy must be used in a trade, business, or for investment purposes.
- The proceeds from the sale of your original property must be handled/held by a qualified intermediary and not by you or someone representing you. This is usually a title insurance company.
- Avoid a timing issue by choosing the new property and an intermediary before you begin the 1031 process.
- You may identify, in writing, 3 or more properties as possible replacements for your old property.
- If you identify more than 3 properties, their combined value cannot exceed 200% of the value of the old property.
- You must purchase at least 95% of the combined value of all the property you list as replacements for the old property.
- The level of debt on the new property must be equal to or higher than the level of debt on your old property.

Within 45 days, you must provide your qualified intermediary a list of prospective properties, even if the forty-fifth day is on a Sunday or holiday. This list must be in writing and note each property’s address and/or legal description. It can include up to three properties without regard to total cost and more than three properties if their combined value is less than twice the value of the property you sold.

- You must own your new property within 180 days (not 45+180 days) of the sale of the old property or by the due date for your tax return for the year in which the transfer of the old property takes place, whichever arrives first.
- Any profit from the sale of the old property that is not reinvested in the new property will be taxed.

The 1031 exchange is a prime opportunity to sell a rental home, high-maintenance multi-family property, an underperforming property, or any real estate investment, and trade-up to another property while deferring 100% of the capital gains tax.

When you engage a Westwood Net Lease Advisor with 1031 exchange expertise – at no cost to you – we take the anxiety of meeting the 1031 timeline off of your shoulders and alleviate the worry. We ensure you follow the letter of the law from before the property search all the way through closing. Contact us today for a no-obligation conversation about how to make the most of the 1031 exchange in commercial real estate investing.