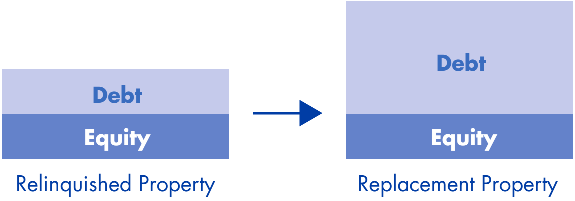
1031 Exchange: Basics



Balancing Value, Equity and Debt

Typically, an Exchangor will acquire replacement property that is "up or equal" in Value (price) and will roll over all of the Equity (net proceeds) from the relinquished property into the replacement property.

Further, to the extent that the Exchangor was relieved of liabilities and debt, such as mortgages on the relinquished property, the debt relief must be offset by (1) new liabilities or mortgages taken on the conjunction with the purchase of the replacement property, OR (2) by investing additional cash in the replacement property equal to the amount of liabilities and debts that were discharged.

A QI's Role

A Qualified Intermediary (QI) is a critical component in the success of a transaction:

- Provide a safe harbor structure to exchange transactions according to the Treasury Regulations.
- Hold proceeds from the sale of relinquished properties.
- Isolate the receipt of any taxable proceeds.
- Utilize the proceeds to purchase like-kind replacement properties.
- Prepare the required exchange documents and instructions.

Contact Us

612.643.1031
877.373.1031
CPEC1031.com

CPEC1031
QUALIFIED INTERMEDIARY