1031 Exchange: FAQ

What is a 1031 Tax Exchange?

A 1031 tax-deferred exchange is an approved technique for selling property that has been used for investment or in a trade or business when purchasing another like-kind property of greater or equal value without having to pay capital gains taxes.

Why 1031?

- **Keep your money working for you**
  Rather than pay unnecessary taxes, use the money to purchase more investment property.

- **Compound your wealth**
  Maximize returns by moving equity to the most advantageous investments available.

- **Eliminate troublesome properties**
  In order to avoid extensive management and maintenance problems, sell older properties in exchange for new less management intensive properties.

- **Diversify your investments**
  Exchange out of one relinquished property into multiple replacement properties to expand your portfolio into different geographic areas or business segments.

Is it "cashing out"?

No. The government's goal in deferring taxes on exchanges is to encourage investors to continue to buy and sell property.
The justification? If an individual is NOT cashing out, why should the IRS tax them on the "theoretical gain" in an exchange from one like-kind property to another?

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