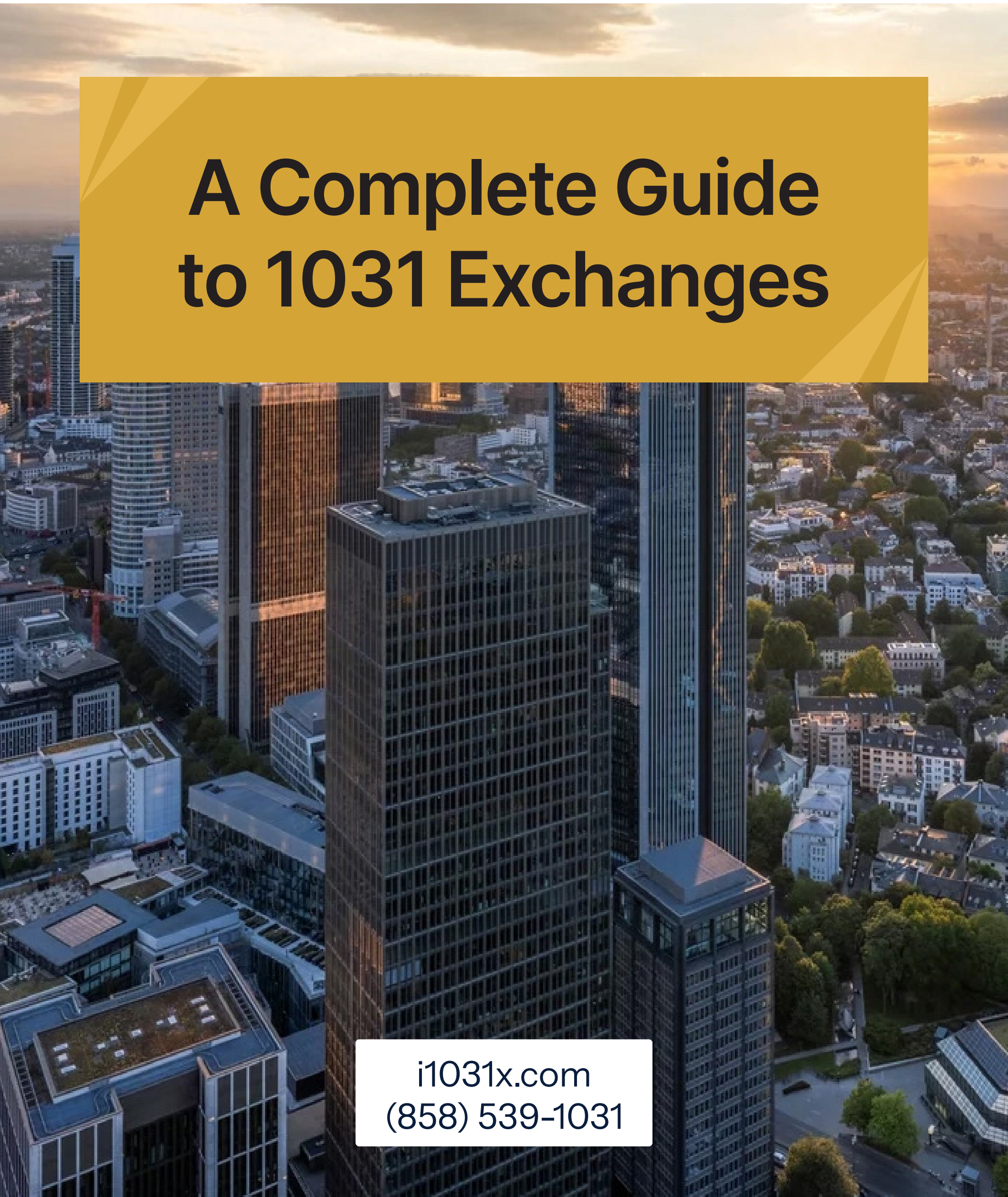
i1031X
INVESTORS 1031 EXCHANGE

A Complete Guide to 1031 Exchanges



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Our Mission

Since 2008, we've provided independent, top-tier 1031 exchange services, helping thousands of investors protect and grow their real estate wealth.

Our independence sets us apart—we're not tied to any title or escrow company, allowing us to offer unbiased advice tailored to your specific needs.

Our role goes beyond that of a traditional accommodator. We act as advisors, providing personalized guidance to help you structure the most cost-effective and strategic plans for your real estate investments.

Unlike most accommodators, we're able to consult on their overall investment strategy, ensuring you and your family are protected and positioned for future success.

With market intelligence and operational know-how, the Investors 1031 Exchange team has decades of experience in investment real estate and we are here to help you with all of your needs.

Our Company

We're Different

Investors 1031 Exchange takes a different approach compared to our competitors. We believe that with good data, good decisions can be made. With a lack of data, decisions will be random. Our goal is to empower our clients with the right information to make the right decisions—both for themselves and for their situation.

We are not affiliated with any title or escrow company, and we are a fully independent 1031 Exchange Qualified Intermediary.

We advise our clients on their overall real estate investment strategy, structuring the most cost-effective plan for them and their families to ensure that their wealth is protected. Most accommodators are not independent in the way we are and are therefore typically not structured to offer the independent advisory approach we provide. We will ensure your transaction goes smoothly, with frequent communication and open conversations during your exchange period. Through our exclusive software platform, you'll always have access to your documents, forms, and exchange timeline.

Our Strength

Financial and Security

As a provider of exchange services, we work very closely with both our exclusive banking partners as well as many of the individuals who are handling your property transfer to ensure your money is secure. This includes utilizing only segregated and restricted 1031 accounts, while ensuring that no exchange funds can ever move without the explicit authorization of the Exchanger.

Although it's not required by law, we even take the security of your funds a step further by holding a Fidelity Bond, Cyber Threat Policy, and Errors and Omissions Policy for all transactions.

For larger exchanges, we are able to offer up to $100 million of FDIC insurance through our banking affiliates via deposit placement programs that spread funds across multiple FDIC-insured member banks, each covered up to the standard $250,000 limit. This level of funds security is unusual in the 1031 exchange industry, but it's your money, and we are here to protect it.

Our Deal Room

In a 1031 exchange, you have sellers looking to buy, and buyers looking to sell—all within a tight timeframe. We listened to our clients and partnered brokers and are launching the Deal Room!

Access the Deal Room

The biggest challenges with 1031 exchanges today are finding suitable deals within the exchange period. That's why we created the Deal Room so our clients looking to buy properties can connect with our clients looking to relinquish properties.

This is an exclusive space for our valued clients and friends to post deals for our exclusive community. We invite clients and friends to review our Deal Room today and also submit their own deals to put up—all for free for our valued clients! Access today!

Definition of a 1031 Exchange

A 1031 exchange (also known as a like-kind exchange) is a transaction that allows a taxpayer to defer the capital gains tax that would be due on a sale of investment real estate or real estate used in a business. A 1031 exchange allows real estate investors to defer the capital gains tax on the sale of appreciated property if they reinvest the proceeds in a new property. While a 1031 exchange may sound simple in premise, there are specific rules that must be followed to completely defer the capital gains tax.

History of the 1031 Exchange

1921

The Revenue Act of 1921 introduced the predecessor to the current form of tax-deferred like-kind exchange; this Act produced Section 202(c) of the Internal Revenue Code and allowed non-like-kind property and securities to be exchanged by investors; the exception was in cases of properties that had what is referred to as a "readily realizable market value." However, this aspect of the Revenue Act of 1921 was later overwritten and modified by the Revenue Act of 1924, and after that the Revenue Act of 1928; the Board of Tax Appeals approved the creation of tax-deferred like-kind exchanges in 1935, adding aspects such as Qualified Intermediaries. The previously established "cash in lieu of" clause was retained so that tax-deferred like-kind exchange transactions would not be affected.

1970–1979

The Starker family sold their timber land in the Pacific Northwest to the Weyerhaeuser Company in 1970. After the IRS denied 1031 tax deferral, the case was ultimately decided in the Starkers' favor by the Ninth Circuit Court of Appeals in 1979. When they sold the property, they crafted a trust agreement wherein the exchange proceeds would be held by the buyer, Weyerhaeuser, in a separate bank account. The terms of the trust provided that Weyerhaeuser would use the funds to purchase a replacement property for the Starker family and for no other purpose. The trust agreement limited the Starker family access to the funds except for the purpose of buying replacement property. When the IRS saw this, it denied 1031 tax deferral to the Starker family. The IRS argued that 1031 exchange meant the swap of property between two parties. The IRS could see that if property could be sold to one person and bought from another, in a 1031 exchange, then the application of the law would become much more widespread. Since the job of the IRS is to raise taxes, it fought hard against the Starker's trust arrangement. In a monumental and far-reaching decision, the tax court ruled in favor of the Starker family and against the IRS. To this day, 1031 exchanges are often still called "Starker Exchanges" in tribute to the family.

1984

The outcome of the Starker Family case created the need for regulations in the industry over future delayed tax-deferred like-kind exchanges; as a part of the Deficit Reduction Act of 1984, the U.S. government added the 45-calendar day Identification Deadline and the 180-calendar day Exchange Period, creating the rules that currently govern modern delayed tax-deferred like-kind exchanges.

Tax Deferred or Exclusions Available

1031 Exchange

Section 1031 of the Internal Revenue Code allows you to exchange real property held for rental, investment, trade, or business for like-kind real property held for the same purpose to defer your capital gain, ordinary income, and depreciation recapture taxes. Note: prior to the Tax Cuts and Jobs Act of 2017, personal property was also eligible; exchanges are now limited to real property only. That was used for rental, investment, trade, or business to defer your capital gain, ordinary income, and depreciation recapture taxes.

1033 Exchange

Section 1033 of the Internal Revenue Code covers various forms of involuntary conversion of taxpayer property. Conversions occur when property is destroyed, stolen, condemned or disposed of under threat of condemnation and the taxpayer receives other property or money in payment (e.g., insurance proceeds or a condemnation award).

121 Exclusion

Section 121 of the Internal Revenue Code allows homeowners who meet both the ownership and use tests — generally owning and living in the property as their principal residence for at least two of the last five years — to exclude up to the applicable limit from capital gains. Qualification rules and limitations apply; consult your tax advisor. Single taxpayers are entitled to a $250,000 exclusion and married taxpayers filing jointly are entitled to a $500,000 exclusion. An exclusion allows you to have a gain on the sale of your primary residence up to the maximum limit without having to pay capital gain taxes. Any gain over and above these exclusion limits is taxable.

721 Exchange

Section 721 of the Internal Revenue Code allows you to contribute investment real estate to an UPREIT (Umbrella Partnership REIT) in exchange for Operating Partnership units, which may later be converted into REIT shares — potentially deferring capital gains tax while providing liquidity.

Types of 1031 Exchanges

Forward 1031 Exchange

Whether you choose a simultaneous or delayed forward exchange, both have the same steps to complete. Upon selling your asset (relinquished property), you have 45 days to identify what asset (replacement property) you will be acquiring. Upon completion of the 45 days, you will have an additional 135 days to close escrow on the replacement property. The total transaction cannot exceed 180 days from the close of escrow on your relinquished property.

Reverse 1031 Exchange

As its name states, a Reverse 1031 Exchange is where you acquire an asset (replacement property) first, then have 45 days to identify what asset (relinquished property) you will be selling. You will then have an additional 135 days to complete the sale of your relinquished property. Upon the close of escrow, you can either pay yourself back for the acquisition, or pay off the loan used to acquire the replacement property prior to the sale of the relinquished property. To complete a Reverse 1031 Exchange, the taxpayer must "park" title to either the relinquished or replacement property with an Exchange Accommodation TitleHolder (E.A.T.). As your 1031 Exchange Accommodator, we generally act as the E.A.T.

Build to Suit or Improvement 1031 Exchange

A Build to Suit or Improvement exchange occurs when the Taxpayer wishes to make improvements to the replacement property utilizing the sale proceeds of the relinquished property. This type of exchange also requires an E.A.T. during the improvements. The improvements must be identified within the 45-Day Identification Period and title of the improved property must be passed to the Taxpayer within the 180-Day Exchange Period. When dealing with real estate, it is not necessary for the improvements to be 100% complete prior to title being acquired by the Taxpayer. If the value of the improved property has been increased to an amount equal or greater than the value of the relinquished property, title may be conveyed to the taxpayer. However, the conveyed property must be substantially the same property that was identified.

Qualifying for a 1031 Exchange — Intent

Intent

In order to qualify for a 1031 Exchange, the Relinquished and the Replacement Properties must both have been acquired and "held for" investment or for use in a trade or business. The amount of time that the property must be "held for" use in a trade or business is not specified in either the Code or the Regulations.

The position of the IRS has been

If a taxpayer's property was acquired immediately before an exchange, or if the Replacement Property is disposed of immediately after an exchange, it was not held for the required purpose and the "held for" requirement was not met.

There is no safe harbor holding period

For complying with the "held for" requirement. The IRS interprets compliance based on their view of the taxpayer's intent. Intent is demonstrated by facts and circumstances surrounding the taxpayer's acquisition of ownership of the property and what the taxpayer does with the property. The courts have been more liberal than the IRS on these issues.

Here are some examples of transactions

That should be considered to have potential for a finding by the IRS that the "held for" requirement has not been met:
The taxpayer acquires Replacement Property and immediately lists the property for sale. The IRS will interpret the intent to acquire the property for resale instead of for investment purposes.
The taxpayer receives the Relinquished Property by deed from a partnership and immediately proceeds to sell/exchange it (aka "drop and swap").
The taxpayer acquires Replacement Property and immediately converts the property to a personal residence.
The taxpayer acquires Replacement Property and immediately transfers the property to a corporation, partnership, or LLC.

Qualifying for a 1031 Exchange — Like-Kind

Like-Kind Property

The following types of property generally WILL qualify as like-kind property:

- Single-family residences
- Multi-family residences
- Commercial office space
- Retail shopping centers or strip malls
- Industrial warehouses
- Vacant or undeveloped land
- Oil and gas interests
- Mineral rights
- Water rights
- Tenant-in-common (TIC) property interests
- Vacation rentals
- 30+ Year Leases
- Delaware Statutory Trust (DST) property interest

Non-Like-Kind Property

The following types of property will generally NOT qualify as like-kind property:

- Personal use assets
- Primary residences
- Second homes
- Vacation homes (personal use)
- Property held for sale
- Property held for development
- Property acquired for conversion, then sold
- Property acquired to fix-up and sell
- Securities
- Cash
- Stocks
- Bonds
- Mutual funds
- Interests in an Entity
- Partnership interests owned in a general or limited partnership
- Membership interests held in a limited liability company (unless it is a single-member LLC)
- Shares of stock in a corporation

Qualifying for a 1031 Exchange — Special Qualifications

Foreign Property

As a result of the Revenue Reconciliation Act of 1989, real property located within the United States and real property located outside of the United States are no longer of like-kind. However, foreign property may still be exchanged for other foreign property. Section 7701 defines the borders of the United States as all fifty states and the District of Columbia. For purposes of the 1031 code, the Internal Revenue Service defined the borders of the U.S. to include the U.S. Virgin Islands given the Exchanger is: (1) A citizen or resident of the United States and (2) Has income derived from sources within the U.S. Virgin Islands, is effectively connected to the performance of a trade or business in the U.S. Virgin Island or files a joint return with an individual who derives an income or is connected to a trade or business within the U.S. Virgin Islands. Both requirements must be satisfied to exchange real property in the fifty states and real property located in the U.S. Virgin Islands. The eligibility of U.S. territories such as Puerto Rico and Guam involves nuanced rules that vary by circumstance. Always consult a qualified tax advisor before attempting an exchange involving territory-based property.

Vacation/Second Homes

Revenue Procedure 2008-16 provides specific safe harbor language that clarifies when your vacation home, second home or primary residence that was converted to investment property may qualify under the IRS safe harbor established in Revenue Procedure 2008-16 if the following conditions are met, although a safe strategy is to convert the second home into an investment property and rent out the property at fair market value for two years prior to the sale and exchange of the property. Alternatively, the owner could rent out their second home for a minimum of 14 days at fair market value and limit their own personal use to 14 days per year for the two years prior to the sale of the property, or 10 percent of the number of days that the property is rented at fair market value during each year.

The IRS has very specific definitions regarding personal use if for any part of a day the property is utilized by the owner. This includes the owner who has an interest in the second home or vacation property as a tenant-in-common interest. Furthermore, use by any member of the owner's family counts as personal use days unless the second home or vacation property is rented out to those family members as a full-time principal residence at a fair market rent.

Another IRS requirement specifies that if the owner rents out the vacation or second home property at less than fair market value, the days rented will be considered personal use days. Lastly, an additional rule defines that any use of the property by the owner under an arrangement which enables them to use some other property is considered personal use.

With so many intricate IRS rules regarding vacation and second home properties, always check with your tax advisor.

1031 Exchange Timelines

The successful completion of a 1031 Exchange transaction requires you to comply with certain 1031 Exchange deadlines pursuant to Section 1031 of the Internal Revenue Code. The 1031 Exchange deadlines consist of the 45-calendar day identification deadline and the 180-calendar day 1031 Exchange completion period. These 1031 Exchange due dates cannot be extended, unless the President of the United States declares a natural disaster area that affects the properties or parties involved with the 1031 Exchange transaction.

45 Calendar Day Identification Deadline

When completing a 1031 Exchange transaction you must identify your potential like-kind replacement properties to your Qualified Intermediary no later than midnight of the 45th calendar day following the close of the relinquished property sale transaction. Holidays and weekends count. The formal identification should be made in writing to your Qualified Intermediary via email, facsimile, U.S. Mail, or overnight courier. You can change your mind by formally revoking the identification of your like-kind replacement properties and subsequently submit a new identification form at any time during your 45-calendar day identification period, but you cannot change your mind after the 45-calendar day identification period has expired. Revoking and submitting a new identification form does not change or reset the original 45 calendar day identification deadline.

Failure to identify like-kind replacement properties within the 45-calendar day window will result in a failed 1031 Exchange transaction, and the transaction becomes a taxable sale.

180 Calendar Day Exchange Period

You must complete your 1031 Exchange transaction, which includes the conveyance (receipt) of title to all of your like-kind replacement properties that you intend to acquire, no later than the earlier of:

Midnight of the 180th calendar day following the close of the relinquished property sale transaction,

OR

The due date of your Federal income tax return for the tax year in which the relinquished property was sold, including any extensions of time to file.

You do not need to be concerned about part 2 above unless the first relinquished property transaction is sold and closed on or after October 17th and on or before December 31st of any given tax year, which would mean that the 180th calendar day would fall after April 15.

You will have less than 180 calendar days to complete your 1031 Exchange transaction if you have a 1031 Exchange transaction closing on or after October 17th and on or before December 31st of any given income tax year, unless you file for an extension of time to file your federal and, if necessary, state income tax returns. Once the extensions of time have been filed, you must complete your 1031 Exchange transaction within the 180 calendar days before you actually file your federal and, if applicable, state income tax returns.

Identification Process

The 45-Day Rule for Identification imposes limitations on the number of potential replacement properties that can be identified and received as replacement properties. More than one potential replacement property can be identified by one of the following three rules:

Three Property Rule

You can identify up to 3 separate properties regardless of their fair market value. This is the rule most commonly used.

200% Rule

You can identify as many properties as you prefer as long as the aggregate fair market value of the replacement properties does not exceed 200% of the aggregate fair market value of all of the exchanged properties as of the initial transfer date. This rule is often used in exchanges where the taxpayer is selling one large asset or multiple assets and acquiring more than 3 assets. As an example, if a taxpayer were to sell a property for 1 million dollars, he/she could identify up to 2 million dollars in properties, regardless of how many properties that amount consisted of.

95% Rule

This rule allows you to identify any number of replacement properties at any value, but the fair market value of the properties acquired by the end of the 180 days must be at least 95% of the aggregate fair market value of all the potential replacement properties identified. This rule is used for large portfolio sales. It isn't very common and can be risky.

What Can a 1031 Exchange Do for You?

Grow Your Real Estate Wealth Faster

A 1031 Exchange is a wealth building tool, not just a tax code. Investors who are well advised use this strategy to keep their wealth in their family. The concept is to exchange throughout your life, creating and keeping the wealth throughout. When you pass away, your family inherits the assets, and a full step up in basis occurs. This means your family will inherit these assets, and the tax liabilities are removed. A 1031 exchange is like a 401k for property — but you don't have to wait until you're 70 to enjoy your wealth!

Your Qualified Intermediary Is Crucial to Your Success

The person who helps you with a 1031 exchange is referred to by the tax code as a "qualified intermediary," also commonly referred to as an exchange facilitator or intermediary. A qualified intermediary is basically a middleman who facilitates the transaction. "Qualified" does not refer to education or experience, so you have to be careful who you use. Don't settle for a bargain-basement facilitator who will simply fill out the forms. You'll save more and rest easier with the help of a highly experienced facilitator.

Our Leadership

Thomas Hinson, Founder & CEO

Tommy is the Founder and Chief Executive Officer. Tommy has been in the fiduciary services industry since 1996. Prior to Investors 1031 Exchange, he spent several years working with exchange companies to help grow their footprint in multiple regions throughout the United States. He is an expert with thousands of hours doing educational seminars and speaking engagements on all subjects related to investment real estate. His media appearances include ESPN Radio, KCBQ San Diego, and he has also appeared on "Real Talk San Diego" and "Market Updates" on "The American Dream" television show. Before entering the 1031 Exchange space, Tommy owned and operated an independent escrow company with branches in San Diego and Orange Counties, where he was a finalist in 2010 for "One of San Diego's Fastest Growing Small Businesses." Prior to that he was the Vice President and Operation and Sales Manager for a national title company.

Marc Gould
Managing Director

Marc is a community-focused real estate developer, father, surfer, and musician. With over 10 years' experience in development, he brings hands-on experience and provides valuable insights in all facets of land development—from acquisition to construction. A strategic thinker, he implements a comprehensive approach to the evaluation and execution of viable development opportunities and brings this knowledge with him to the 1031 exchange industry.

Stephanie Eckert, Exchange Manager

Stephanie has over 20 years of experience in the Title and Escrow Industry. Her tenacity and attention to detail makes her transactions consistently run smoothly. With such a deep knowledge and breadth of experience in closing transactions, Stephanie is able to recognize potential client pitfalls and help avoid them. She excels at understanding and responding to a client's needs and concerns and assisting them as they progress through the entire 1031 exchange process. One of her greatest strengths is her attention to detail and providing quality customer service and ensuring all tasks are completed in a timely manner.

S. Brandon Kress CPA
Vice President, Exchange Services

Brandon Kress is the Vice President of Sales, known for his strategic thinking, team leadership, and relationship-building skills. He began his career at PricewaterhouseCoopers, where he obtained his CPA license, sharpening his attention to detail and financial acumen. Over the years, Brandon has transitioned into sales leadership, bringing a unique blend of financial expertise and a results-driven mindset. As a detail-oriented professional, he has successfully led teams to achieve significant revenue growth and build strong client relationships. His career is defined by his ability to balance big-picture strategy with a focus on operational excellence.

Matthew Olivares
Exchange Sales Consultant

Matthew Olivares is a California-based real estate advisor focused on serving investors across the state. With a background rooted in a family brokerage, he has been involved in the real estate industry since 2020, contributing to market research, pricing strategy, and transaction coordination before becoming licensed.

Matthew specializes in working with investors on acquisitions, dispositions, and 1031 exchange opportunities. He helps clients identify strategic replacement properties, align transactions with investment goals, and navigate exchanges with efficiency and attention to detail. His approach centers on preserving capital, maximizing long-term returns, and creating seamless, well-structured transactions. Whether expanding a portfolio or transitioning assets through a 1031 exchange, Matthew is committed to professionalism, clear communication, and long-term client relationships.

Nick McGuire
Exchange Sales Consultant

Originally from Maryland and now residing in Encinitas, Nick brings nearly a decade of sales expertise across multiple industries to his role at Investor 1031 Exchange. Nick's diverse background includes success in sectors ranging from technology to healthcare, equipping him with a broad skill set in building client relationships, driving revenue, and crafting tailored solutions.

As an investor, he understands the importance of tax-efficient real estate transactions and uses that knowledge to help clients maximize their investment potential. His approach combines practical insights with a deep commitment to client success, ensuring that investors and their advisors find the most strategic and tax-advantaged solutions for their real estate holdings.

Outside of work, Nick enjoys spending time at the beach, surfing, and fishing and is passionate about sports.

Robert Hasler
Regional Exchange Advisor

Robert Hasler is a seasoned real estate professional and thought leader in the realm of 1031 exchanges and Real Estate Investment Trusts (REITs). He oversees a diverse portfolio of properties and manages complex transactions to maximize investor returns. With over 18 years of experience in real estate investment and management, commercial banking, Fintech, and raising capital, Robert has become a prominent advocate for strategic asset allocation and innovative investment solutions.

Adam Sutherland
Regional Exchange Advisor

Adam Sutherland graduated with a Bachelors of Science from Central Michigan University and Masters of Arts from University of Nevada, Las Vegas. He has ten years of real estate experience in Michigan. Now a 1031 exchange specialist, Adam's interpersonal skills and strong client relationships are assets he brings to our team. With lifelong Midwestern roots, he is an avid hunter, husband to wife, Deanna, and father to Collin and Cooper.

Jennifer Van Dyne
Operations Assistant

Jennifer has over a decade of experience in the financial services industry and brings a strong understanding of banking procedures and operations. She is exceptionally organized and driven to optimize processes, helping ensure efficient and seamless client experiences.

For Your Peace of Mind, Choose a Qualified Intermediary Who:

Has Completed Thousands of 1031 Transactions

No two transactions are alike; some are very complex. Your Investors 1031 Exchange Facilitator can advise you on the best way to structure your transaction to meet your investment objectives and for the best possible tax advantages.

Is an Expert in These Sections of the Internal Tax Code

Your Investors 1031 Exchange Facilitator spends 20-30 hours every year staying up to date so that you can be rest assured that you are being properly advised on your strategy. The tax code is silent in many key areas. Your Investors 1031 Exchange Facilitator can point out the gray areas you may be exposed to so you can decide how you want to structure your transaction.

Can Stand up to the Scrutiny of the IRS

Investors 1031 Exchange has completed thousands of 1031 Exchange transactions with a strong track record with regard to IRS audits.

Notes

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