

1031 “Like-Kind” Exchange Best Practices

Raising the Bar for Secure, Transparent, and Compliant Exchanges

Like much of the tax code, 1031 exchanges can be a bit confusing. However, they offer substantial tax benefits for individuals and businesses who buy and sell commercial real estate — if they’re conducted correctly.

JTC Americas (then known as Nationwide Exchange Services) was founded in 2005 as a 1031 Qualified Intermediary (or “QI”). At that time, there was scant agreement or consistency around 1031 exchange best practices; improper handling of exchange funds was commonplace, and high-profile instances of fraud and theft had tarnished the industry.

JTC Americas brought heightened security, transparency and compliance to 1031 exchanges, literally defining best practices for the entire industry, at a time when they were sorely needed. And since then, we’ve continued our mission, serving 1031 exchangers across tens of thousands of successful transactions.

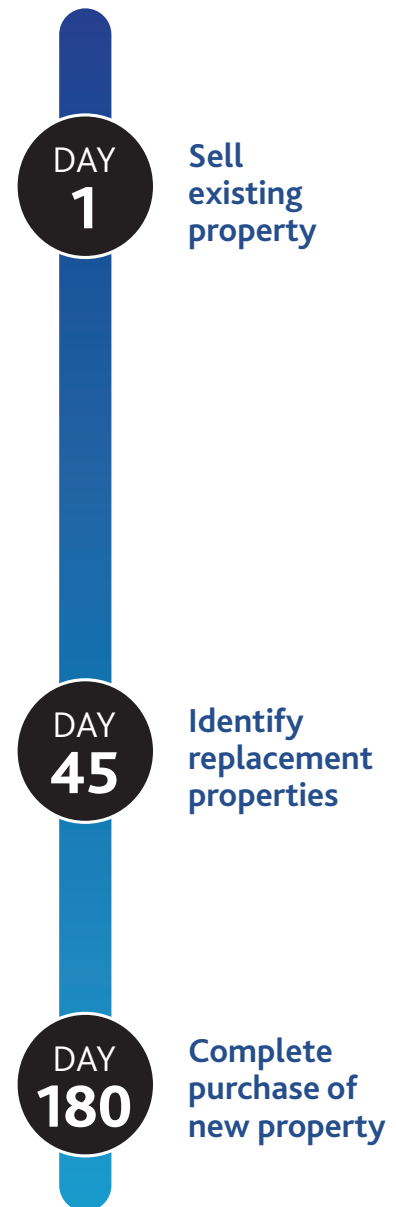
In our view, these are the three pillars that differentiate outstanding 1031 Qualified Intermediaries:

Security of Funds

The security and accessibility of clients’ funds are critical responsibilities of a 1031 QI. We recommend the following measures:

- > The QI is never on the title to the clients’ funds
- > Any funds movement requires dual approval by the client and the QI
- > Exchange funds held separately:
 - Never commingled with the QI’s operating funds
 - Always held in a Qualified Escrow or Qualified Trust using the client’s taxpayer ID
- > Funds held with top-rated custodial banking partners. Errors and omissions insurance coverage provided, as well as a fidelity bond for additional protection

1031 EXCHANGE TIMELINE



Transactional Transparency

Only maximum transparency and full access to transaction information will give clients confidence about the proper handling of their funds. To this end, QIs should provide:

- > All account information (accessible in real time, from anywhere) including:
 - Account and sub-account balances
 - Account locations
 - Rate of return on deposit
 - Applicable fees
- > Advanced document creation, storage and management applications for full audit and reporting capabilities:
 - Persistent event recording and document storage
 - Audit trail feature for streamlined report creation
 - Archived documentation available to view, print or email, 24/7
- > Secure, password-protected web access
- > Standard or customized reports generated automatically, with:
 - Deposits and disbursements
 - Daily balances and interest rate
 - Year-end tax information

Regulatory Compliance

To ensure compliance with federal standards for financial controls, privacy and reporting, QIs should submit to an annual audit of their business practices and technologies. In addition to IRC Section 1031 and IRC Section 468B, exceptional QIs comply with:

- > SOC 1 Type 2 certification
- > Sarbanes-Oxley 404 controls
- > Gramm-Leach-Bliley Act
- > The Bank Secrecy Act
- > The USA PATRIOT Act

JTC AMERICAS LEADING THE WAY

Since 2005, JTC Americas has continued to refine its 1031 service offerings, with evolving technology, deep client engagement and meticulous security measures translating into an industry-leading record of exchange success.

If you have any questions, please don't hesitate to contact us. Our in-house legal and client services teams, with their decades of experience, are standing by.

About NewGen Advisory

NewGen Advisory (NGA) is the nation's premier hospitality brokerage firm, with headquarters in Phoenix, Arizona, and offices in 16 cities around the country. NGA achieves extraordinary results for buyers and sellers of hotel and lodging assets. NGA is the leader in the hospitality industry, offering a robust suite of services to owners, investors, and lenders. Their team of hotel experts is supported by the industry know-how, relationships, and tools that elevate and assist their sales professionals above the competition. For more information about NewGen Advisory, visit newgenadv.com,

About JTC Americas

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