Defer capital gains tax with a 1031 exchange

Sanchez & Rivera and JTC Americas have teamed up to offer best-in-class real estate exchange services

Roll 100% of your property's value into the next investment. Here's how…

1031 exchanges enable you to reduce or eliminate taxes on the sale of business or investment real estate. If you want to sell one business or investment property and purchase a different property, structuring these two transactions as a 1031 exchange can enable you to avoid capital gains tax and depreciation recapture tax — meaning you can put 100% of your old property's value into the new investment.

1031 exchanges can be easy to do, but there are a few rules that you should know about to maximize your chances of success:

1. 1031 exchanges are limited to real estate.

You may have heard of people exchanging things like cars, aircraft or patents, but those days are now behind us. As of December 2017, only business or investment real estate is eligible for a 1031 exchange.

2. The Qualified Intermediary needs to be involved from the very start.

This is the easiest way to invalidate a 1031 exchange before it even begins.

Typically, a Qualified Intermediary (QI) serves as the custodian of the proceeds until they are reinvested in replacement property to complete the exchange. But the QI is actually considered to be the person with whom you exchange your property. Without a QI (and an exchange agreement), there's no exchange — just two independent transactions.

This means that you need to engage a QI **before** you sell your old property to be eligible.

3. There's more than one way to exchange.

The most common structure is the **1031 forward exchange** — you sell your old property, then buy the replacement property afterward. **A 1031 reverse**

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exchange enables you to buy a new property first and sell yours later, giving you additional flexibility.

However, a reverse exchange is more complex than a forward exchange, and not all QIs have the experience necessary to handle them. This is one reason it can pay to select a QI carefully.

4. In a forward exchange, you can identify multiple potential replacement properties.

Within the first 45 days after you sell your original property, you may identify multiple replacement properties and then use any of them — or even more than one of them — to complete your exchange. (This is a simplified version of the rules, but that's the basic concept.)

Even if you know exactly which property you want to buy as a replacement, it can be worth listing at least one additional property as a backup, in case your first choice falls through for some reason.

5. You have 180 days to complete your exchange... unless your tax return filing date comes first.

The clock begins ticking for completing your exchange on the day that you sell your relinquished property, and it stops at midnight on the earlier of:

> the 180th calendar day after the date of the sale, or

> the due date of your tax return.

However, you can file for an extension on your taxes to maximize your replacement period.

SANCHEZ & RIVERA TITLE AND JTC AMERICAS:

The Gold Standard 1031 Exchange Team

Since 1995, Sanchez & Rivera Title has become the title insurance company of choice for real estate consumers, real estate professionals and Fortune 500 companies throughout the United States. It offers the personal service you'd expect from a small company, backed by the security of solid financial underwriting.

Sanchez & Rivera has partnered with JTC Americas, the nation's largest independent leading 1031 exchange accommodator, to provide 1031 qualified intermediary (QI) services for its clients. With a 16-year track record of 1031 exchange success, JTC Americas prioritizes security, transparency and compliance in every exchange.

For more information visit www.sanchezriveratitle.com/1031

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