

Preliminary Information Form for 1031 Exchange Corporation

Thank you for selecting 1031 Exchange Corporation for your IRC §1031 Tax Deferred Exchange. Please complete the Preliminary Exchange Questions below and return to us immediately. If you fail to answer and return this form, we may not obtain information necessary to properly structure your exchange. While your exchange may appear uncomplicated, there are many decisions which we have to make to obtain the optimum result for you. Please help us by completing and returning the enclosed form. Your cooperation is essential.

Taxpayer Information

Exchanging Party Name: _____

Mailing Address: _____

Telephone Number: _____ Email: _____

Relinquished Property

Is the property you are exchanging out of your residence or vacation home? Yes No

Did you acquire this property solely to renovate and re-sell? Yes No

How long have you owned this property? _____

Do you own the property jointly with anyone else? Yes No

If yes, who _____

Is this property held in a corporation, partnership or limited liability company? Yes No

Do you intend to provide seller financing for the sale of the relinquished property? Yes No

If married, is this community or separate property? _____

Replacement Property

Do you anticipate acquiring replacement property with anyone else other than the party listed above? Yes No

If yes, who _____

Do you anticipate forming a new partnership, corporation or limited liability company to hold title to the replacement property? Yes No

Do you intend to reinvest in replacement property at a value equal to or greater than the **SALES PRICE** of your relinquished property? Yes No

Do you intend to immediately renovate and re-sell the replacement property? Yes No

Do you intend to own the replacement property for at least one year? Yes No

Do you intend to acquire replacement property owned by a related party or a corporation or partnership in which you or a relative own an interest? Yes No

Do you intend to use exchange funds for construction or improvements to the replacement property? Yes No

Tax Deferred Exchange Checklist

Preliminary Matters

- Taxpayer should consult with tax advisor about exchange
- Contact 1031 Exchange Corporation to notify us you want to proceed with an exchange

Relinquished Property

- Add contract addendum or reference under special provisions recognizing the exchange with the buyer's consent
- Email or mail the Preliminary Exchange Information form to 1031 Exchange Corporation
- Notify 1031 Exchange Corporation of the property address and the contact information for the closing officer
- Close sale of Relinquished Property

Replacement Property

- Note 45 day date on your calendar
- Note 180 day closing date on your calendar
- Identify Replacement Property within 45 days of date of closing on Relinquished Property
- Add contract addendum or a reference under special provisions recognizing the exchange with the seller's consent
- Notify 1031 Exchange Corporation of the property address and the contact information for the closing officer
- Close purchase of Replacement Property

Common Exchange Problems

The procedures for closing a tax deferred exchange using a qualified intermediary are deceptively easy to follow. Although it may appear to be easy to mechanically complete the exchange, there are substantial pitfalls, to be avoided.

The following is a list of common problems we see in facilitating exchanges. The list is certainly not complete. It is intended to alert you to some of the more common problems. We strongly advise you to consult with your tax advisor before entering into an exchange.

1. The taxpayer who sells relinquished property must acquire replacement property. If husband and wife exchange out of property, they must both acquire the new property. Conversely, if only one spouse is in title on the relinquished property, and it is their separate property, only that spouse can be in title on the replacement property. The Tax Code does not allow a change of ownership between the relinquished property and the replacement property.
2. Designating a property as replacement property and then acquiring less than all of the property. For instance, if a taxpayer and another party acquire replacement property, they will each acquire an interest in the replacement property. If the entire property has been designated as replacement property and you only acquire a partial interest in the property, the designation may not meet IRS requirements.
3. A failure to designate replacement property within 45 days of the date following disposition of the relinquished property. If you fail to designate replacement property in writing within the 45 day time period, the entire exchange will fail. It is imperative that you properly designate replacement property. This obligation cannot be delegated unless you have had a power of attorney prepared and given someone else the authority to designate for you. **DO NOT RELY UPON ANY THIRD PARTY, INCLUDING YOUR REAL ESTATE AGENT TO DESIGNATE FOR YOU.**
4. Holding back loan funds to allow the use of all exchange funds for acquisition of replacement property. If you intend to borrow additional funds for use in constructing improvements on the replacement property after acquisition, you should consult with your tax advisor prior to closing. Borrowing excess funds and instructing your lender not to disburse those funds at closing to allow you to use all exchange funds in the acquisition of replacement property may result in subsequent taxation.
5. Instructing the closing agent to escrow funds at closing to be used to pay a contractor for work on the replacement property after acquisition may result in those funds being taxable. The IRS treats all funds expended for you at closing as though you had taken possession of those funds and paid them to the parties paid at closing. Any funds escrowed or paid at closing will result in taxation of those funds to the taxpayer if they are used to pay any non-exchange expense such as construction expenses incurred by the taxpayer on replacement property.
6. Exchanging out of or into a personal residence. The exchange property must be investment property or property held for use in a trade of business to qualify under Section 1031. A personal residence does not qualify for exchange under Section 1031.

**Classification of Sample Closing Costs
As Exchange or Non-Exchange Costs**

Exchange Expense	Non-Exchange Expense
Sales Commission	Rent Proration
Legal Fees	Utilities
Finders Fees	Points
Escrow Fees	Mortgage Insurance
Inspection/Testing Fees	Property Liability Insurance
Transfer Taxes	Application Fees
Owner's Title Insurance	Lender's Title Insurance
Recording Fees	Assumption Fees
Appraisal Fees	Home Owners Dues
Exchange Fees	Repairs/Termite Work
Messenger Fees	Security Deposits
Document Fees	Loan Acquisition Fees
Statement Fees	Property Taxes
Tax Service	
Processing Fees	
Notary Fees	
Survey Costs	
Engineering Fees	