



The Resource for 1031 Excellence

# SECTION **1031** EXCHANGES

## HOW THEY WORK



Experience, Security  
and Service for Your  
1031 Exchange

Exchange Resource Group, LLC

**303.789.1031**

[www.erg1031.com](http://www.erg1031.com)



## THE ERG INCENTIVE

Maximizing our client's investment security and building future wealth preservation with the 1031 tax deferred exchange.

- **TaXadvantage**

ERG's TaXadvantage program is provided to you and your financial/tax advisors with each exchange. It is a comprehensive summary of your transaction including all documents needed for the exchange portion of your tax return.

- **Knowledge**

ERG is dedicated to providing you with planning and assistance during every stage of your exchange. With well over 12,500+ completed exchanges (and counting) our team is prepared for your transaction.

- **Available**

ERG is always available to answer your questions and eliminate your concerns.

- **Protection**

In the rare event your exchange is audited, we will provide the support and documentation needed.

- **Security**

ERG exchange funds are fully secured in segregated and signature locked accounts. It is not possible for funds to be accessed without approval from both ERG and you.

- **Experience**

The ERG team represents decades of combined experience in the 1031 tax, legal and real estate industries.

U.S. Tax Code, Title 26, Section 1031: "No gain or loss shall be recognized on the exchange of property held for productive use in a trade or business or for investment, if such property is exchanged solely for property of like-kind which is to be held either for productive use in a trade or business or for investment."

## WHAT IS A 1031 EXCHANGE

When you sell an investment property you're required to pay tax on the gain. If the property appreciated in value during your ownership period or if depreciation deductions were taken for tax purposes, most states and the IRS views the gain as taxable.

However, a Section 1031 tax deferred exchange (also known as a Starker Exchange) named for the Internal Revenue Code Section it refers to, allows a deferral of capital gains tax. When you sell your business or investment real estate, replace it with a different business or investment real estate and use a 1031 exchange, you can defer payment of the capital gains tax normally required on these sales.

This gives you greater purchasing power by allowing you to use funds you would have paid in tax towards the new investment. Without using a 1031 exchange, you would be required to pay capital gains tax on the gain, thereby significantly reducing the amount you have to reinvest.

A 1031 Exchange is not a tax loophole. It is a 90+ year old section of the Internal Revenue Code, written by Congress, to allow anyone who meets the requirements to sell their property and defer paying taxes on the gain.



## UNDERSTANDING AN EXCHANGE

If the properties meet the following requirements, you may exchange any real estate for any other type of real estate:

1. All relinquished (old) and replacement (new) property must be vacant land, rental property or property used for trade, business or investment.
2. You cannot have actual or constructive control of any of the proceeds received from the sale of the old property. By law, all money must be held by a Qualified Intermediary (also referred to as an Accommodator or Facilitator). You cannot have an associate or employee, your attorney, broker or CPA hold the proceeds, nor can you leave the proceeds in escrow until the second property is purchased.
3. You have 45 days from the date of closing on the old property to identify a list of properties from which you will purchase the new property.
4. From the date of closing, you have 180 days to close on one or more of the properties from your 45-day list.
5. The titleholder on the old property must be the same titleholder on the new property.
6. You must reinvest all cash proceeds from the sale, and purchase a new property or properties of equal or greater value, in order to avoid taxation on the gains.

**ERG'S CLIENT CARE, TAXADVANTAGE, AND EXPERTISE SIMPLIFY THE EXCHANGE PROCESS FOR YOU.**

## ERG ALSO SPECIALIZES IN:

- **Reverse Exchanges:**  
When you need to purchase the new property before selling the old property
- **Multi Asset Exchanges:**  
When the old property is a combination of real property and personal property
- **Complex Exchanges:**  
When an exchange includes any form of indebtedness from the sale of the old property, including trust issues, installment notes, divorce issues, land contracts and non resident alien (FIRPTA) issues
- **Personal Property Exchanges:**  
When exchanging non-traditional items such as oil, gas and mineral interests, aircraft or equipment
- **Construction Exchanges:**  
When you build on your new property, using proceeds from the sale of your old property

## EXAMPLES OF 1031 EXCHANGES

The 1031 exchange is a versatile tax planning and investment tool for savvy investors. Listed below are real-world examples of transactions that have been planned and facilitated by the ERG staff individuals, companies or corporations.

- Single-family rental exchanged into a duplex investment property
- Rental property exchanged into an office condo
- Undeveloped land (including water rights and mineral rights) exchanged into a 24 unit apartment complex
- Low income producing ranch land exchanged into a cash flowing 12 unit apartment building
- Ski condo exchanged into a beach rental
- Small 2 seat business aircraft exchanged into a 6 seat business aircraft
- Five single-family rentals exchanged into an industrial warehouse for lease-back to family business

In these examples you can clearly see how ERG has helped investors protect gains from taxation, thereby increasing returns and bringing them a step closer to realizing their financial dreams.

Call us today to find out how we can help you achieve your investment goals!

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## FEE SCHEDULE - STRAIGHT EXCHANGES

Fees vary depending on the complexity of the transaction and typically range from \$750 to \$1000. Our fees always include free, unlimited consultations. We are more than happy to discuss the specifics of your deal.

TaxAdvantage	FREE
Audit Protection - if your exchange gets audited we will provide the support and documentation needed in your case	FREE
Consultation, advice, assistance and guidance by one of our exchange experts	FREE
Charge for each additional property acquired in excess of one per exchange	\$250
Additional fees for meetings, phone calls or any additional correspondence	Never!

## OFFICE

We have consultants ready to facilitate your exchange nationwide.

### **Exchange Resource Group, LLC**

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