

§1031 TAX DEFERRED EXCHANGES

"WHAT RESIDENTIAL REAL ESTATE AGENTS NEED TO KNOW"



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1031 tax deferred exchanges may have the potential to provide real estate agents a tremendous opportunity to increase commissions! Conversely, by not understanding a few key exchange concepts, real estate agents often can unknowingly incur increased liability. We have provided answers below to questions frequently asked by residential real estate agents.

Q: When should the Intermediary be contacted?

A: As soon as the contract is signed.

Q: What language should be added to the Purchase and Sale Agreement?

A: The verbiage below is satisfactory in establishing the Exchanger's intent to perform a tax deferred exchange:

"Buyer is aware that Seller intends to perform an IRC Section 1031 tax deferred exchange. Seller requests Buyer's cooperation in such an exchange and agrees to hold Buyer harmless from any and all claims, costs, liabilities, or delays in time resulting from such an exchange. Buyer agrees to an assignment of this contract to Effective 1031 Planning, Inc. by the Seller."

Q: Who should I contact to set up an exchange?

A: You can call Effective 1031 Planning's office toll-free 888-251-3004.

Q: What should be done so I do not incur a potential additional liability?

A: Every time you list any property that may have been "held for investment" (i.e. rental house, second or vacation home, duplex, land, etc.), recommend that your client talk to their legal and/or tax advisors about the potential benefits of a 1031 exchange. You can also suggest that your client call an experienced Qualified Intermediary. Exchanges have been a part of the tax code since 1921. As a licensed professional, a real estate agent can't afford to say "I don't know about exchanges because I specialize in residential."

Q: Can exchanges be set up at the last minute?

A: Yes, as long as the transaction has not closed. Effective 1031 Planning has successfully helped many clients convert a sale into an exchange.

Q: If my clients have more questions, where can they go for more information?

A: Call Effective 1031 Planning's toll-free number or visit our Internet site: www.effective1031planning.com.

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