



# 1031 Exchange Basic FAQs



## 45 days

You have **45 days after the sale of your relinquished property to identify your replacement property(ies)**. Identification of replacement properties must be unambiguous, using a legal description or physical address. It must be in writing, dated, signed, and received by your QI within the 45 days. The 45-day requirement is strictly enforced with no option for extension.

## 180 days

You have **180 days after the sale of your relinquished property to purchase your replacement property(ies)**. The 180-day requirement is strictly enforced with no option for extension. Additionally, your replacement period could be shorter if your tax return due date is prior to the expiration of the 180 days, if that is the case you will want to file an extension on your tax filing.

## ID rules

The IRS provides three rules in which you can identify your replacement property(ies). The most common being the **3-property rule**, simply put you can identify three properties. The **200% rule** allows you to identify more than three properties so long as the fair market value of all properties does not exceed 200% of the sales price of your relinquished property. Lastly, the **95% rule** states that should you over identify the first two rules than you have to purchase 95% in value of what was identified.

## LIKE kind

For a 1031 exchange to be valid, your properties must be like-kind. As it pertains to real estate, all real estate is like-kind to other real estate. Some examples would include: an apartment complex exchanged for a cell tower easement; an office building for farm land; or a rental home for water rights. Generally speaking, the only real estate that does not qualify under a 1031 exchange is a vacation home and personal primary residency.

## ID rules to purchase

You have the option to purchase one or all of the properties you identified, you are not required to purchase all identified properties. Identifying more than one property just provides you with more options to ensure you have a replacement property within the 180-day exchange period. Additionally, you need to state how many properties you plan to purchase.