

Emerald Coast Qualified Intermediaries

*A Qualified Intermediary for
1031 Tax-Deferred Exchange*



THE FACTS:

IRS SECTION 1031 TAX-DEFERRED REAL ESTATE EXCHANGES

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Emerald Coast Qualified Intermediaries

SERVICES PROVIDED

- ◆ **Reasonable Fees** - Competitive charges for professional services.
- ◆ **Documentation** - Preparation of necessary exchange documentation for your old and new property escrows.
- ◆ **Assistance with Closing** - Assist and review closing documents prior to execution to protect your exchange.
- ◆ **Safe Holding of Proceeds** - Safe holding and disbursement of your exchange proceeds, giving you the benefit of any interest earned.
- ◆ **Accounting of Exchange** - Full report of exchange proceeds and earnings, along with copies of documentation in an easy-to-read binder.
- ◆ **Reverse Exchanges** - Buy your replacement property first.

For further information, speak with the specialists:

**Call Emerald Coast
Qualified Intermediaries**

(850) 654-6997

Ask for Sharon Deville

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Let us coordinate your next real estate exchange!

Emerald Coast Qualified Intermediaries cannot advise you concerning the specific tax consequences or advisability of a deferred exchange for tax planning purposes. You would need to seek the counsel of your accountant or attorney (in-house legal services available). If we can answer any of your general questions, or those of your representatives, please do not hesitate to contact us.

FEES

Please call **Sharon Deville** at **(850) 654-6997** for a **free quote of Emerald Coast Qualified Intermediaries' fee** for participating in and documenting an exchange.

There are no monthly maintenance fees.

The fee for each transaction will be set forth in our Exchange Agreement.

The Role of Emerald Coast Qualified Intermediaries

- ◆ Provide the required exchange agreement for review and approval by you and your tax advisor.
- ◆ Provide notification of the assignment to all parties.
- ◆ Furnish instructions to the closing agent.
- ◆ Establish a qualified escrow account.
- ◆ Receive the 45-day identification notice.
- ◆ Deliver escrow funds for settlement.
- ◆ Arrange for direct deeding of properties.
- ◆ Give a final accounting of escrow funds and interest earned.



1031 Tax-Deferred Exchange



Section 1031 of the Internal Revenue Code allows a taxpayer to defer/postpone the payment of capital gains tax from the sale of investment real estate if the proceeds are reinvested into “like-kind” property. You must have held the relinquished property, and you must hold the replacement property for investment or for productive use in a trade or business.

LIKE-KIND EXCHANGE

Like-kind exchange refers to the type of property being exchanged. You can exchange any real estate investment property for any other type of real estate investment property (i.e., vacant lot for a rental condominium). Your primary residence or second home does not qualify as a like-kind investment property.

EXCHANGING UP RULE

To accomplish a fully tax-deferred exchange, the rule to follow is: exchange even or up in value and exchange even or up in equity.

BOOT

To the extent that the taxpayer receives money or other property, he or she will have “recognized gain”, commonly called “boot”. To the extent that you do not follow the exchanging up rule, you will have received non-qualifying (“boot”) in your exchange. If boot is received, tax is computed on the amount of gain on the sale or the amount received—whichever is lower.

DEFERRED EXCHANGES

While real estate exchanges offer excellent tax advantages, they must be structured in accordance with *all* IRS Regulations to realize a tax deferral benefit. In 1991, the IRS issued final regulations on how to successfully complete a tax-deferred exchange. The Regulations impose limitations on real estate exchanges and provide long overdue guidance in an area of the tax law that is filled with traps for the unwary or the ill-advised.

TIME CONSTRAINTS

In a deferred exchange, you are required to “identify and designate” your new property on or before 45 days from the transfer of your relinquished property. This must be completed in writing and received by Emerald Coast Qualified Intermediaries within 45 days. Additionally, you must close one or more of the replacement properties you have identified and designated within 180 days of the closing of your relinquished property; or before the due date for filing your tax return for the year in which the relinquished property closed.

IDENTIFICATION

In adherence to the Internal Revenue Service’s Regulations, you must identify and designate a replacement property in writing to Emerald Coast Qualified Intermediaries no later than the 45th day from the transfer of your relinquished property. You can identify and designate up to three properties regardless of their value. Should you wish to identify more than three properties, the total value of the properties you identify cannot exceed 200% of the relinquished property’s value. It is also required that the properties be located within the United States.

CONSTRUCTIVE RECEIPT

To meet IRS requirements for a deferred exchange, you can never have actual or constructive receipt of the exchange funds during

the exchange. You must give up control over your exchange funds to Emerald Coast Qualified Intermediaries during the exchange period. In essence, the IRS requires you to turn over control of your money to a stranger. Therefore, your choice of Emerald Coast Qualified Intermediaries as your intermediary can be the most important decision you make in your exchange.

SAFETY

Your money is held in a segregated account, earning interest for your benefit, at no risk of principal. Emerald Coast Qualified Intermediaries only holds funds in federally-insured accounts.

COMPLETE DOCUMENTATION

The paperwork documenting your disposition and acquisition transactions is critical to a successful exchange. That’s why we provide precisely-detailed agreements and instructions to you and your closing agent for every exchange transaction throughout the exchange period. Prior to closing, we also review and approve the escrow documents to make sure they correctly reflect your personal exchange plan. At the conclusion of your exchange, we provide you with a binder containing copies of your exchange documentation, along with a check for the interest earned on your exchange funds while they were held in escrow. This organizational tool will assist you and your tax advisor in properly reporting your exchange to the Internal Revenue Service.

