



1031 Checklist

- Step 1** Spot the opportunity for an exchange – selling a rental property, commercial property or investment land.
- Step 2** Consult with tax and legal advisors regarding the following common trip points:
- ___ Verify that a 1031 is appropriate for your tax situation and investment goals.
 - ___ Confirm the Relinquished Property qualifies for 1031.
 - ___ Confirm the Replacement Property qualifies for 1031.
 - (Note: 1031 is not for second homes and inventory properties.)
 - ___ Determine the best 1031 structure – delayed, build-to-suit, reverse.
 - ___ If selling more than one property, determine whether to use one or multiple exchanges.
 - ___ Make sure the ownership on the Replacement Property matches the ownership of the Relinquished Property. (Typical challenges: Adding someone. Dissolving or forming partnerships and LLC's.)
 - ___ Determine if the lender for the Replacement Property has requirements for holding title.
 - ___ If the Relinquished Property is a mixed-use property (for example, partially a primary residence) allocate the sale price to the various uses.
 - ___ If the Replacement Property will be a mixed-use property, allocate the purchase price to the various uses.
 - ___ Discuss whether the sale or purchase includes Personal Property.
 - ___ Consult regarding taking cash out of the sale.
 - ___ Discuss plans to pay off debts that are not secured by the Relinquished Property.
 - ___ Consult regarding the payment of earnest money to secure the Replacement Property.

- ___ Determine the advisability of refinancing the Relinquished Property prior to sale (probably not) versus waiting and refinancing the Replacement Property.
- ___ If your Buyer has asked you to take a note discuss seller financing.
- ___ If you want to buy a Replacement Property from a related party this must be reviewed - and may not be permitted.
- ___ Build-to-Suit and Reverse Exchanges come with numerous rules and restrictions and must be thoroughly discussed.

- Step 3** Call **Beutler Exchange Group** to review the proposed exchange. We will review the overall structure, educate, issue spot and share office resources and our experience on all of the issues noted above.
- Step 4** List the Relinquished Property.
- Step 5** Get out looking for Replacement Property.
- Step 6** Negotiate the sale of the Relinquished Property.
- Step 7** Contact **Beutler Exchange Group** as soon as escrow is opened for the sale of the Relinquished Property.
- Step 8** Keep shopping for the Replacement Property.
- Step 9** **Beutler Exchange Group** will contact the Settlement Agent to request a copy of the title report and Purchase and Sale Agreement.
- Step 10** We will prepare exchange documents and send them to the Settlement Agent.
- Step 11** Still shopping for the Replacement Property?
- Step 12** If a “partial” exchange, determine the anticipated sale proceeds to be placed in the exchange account.
- Step 13** At closing of the Relinquished Property you will sign the exchange documents along with all other closing documents.
- Step 14** **Beutler Exchange Group** will sign closing documents and provide wire instructions to the Settlement Agent.
- Step 15** The Settlement Agent will wire sale proceeds to **Beutler Exchange Group**.
- Step 16** We will send a letter verifying the account balance; advise you of the 45-day and 180-day deadlines and provide you with a form you may use to identify the replacement properties.

- Step 17** Keep looking for that Replacement Property.
- Step 18** If the Replacement Property is not purchased within the first 45 days, complete the identification form and deliver it to **Beutler Exchange Group**.
- Step 19** When writing an offer for the Replacement Property consider whether to include 1031 language. Sometimes this can compromise negotiations with the Seller. It might be advisable to put this language in an Addendum instead of the initial offer.
- Step 20** Contact **Beutler Exchange Group** as soon as escrow is opened for the Replacement Property.
- Step 21** Negotiate financing for the Replacement Property. **Note:** There may be significant restrictions (both lender and 1031-related) on taking cash or refunds out at closing. Talk to the lender and **Beutler Exchange Group**.
- Step 22** We will contact the Settlement Agent to obtain copies of the title report and Purchase and Sale Agreement for the Replacement Property.
- Step 23** We will prepare exchange documents and send them to the Settlement Agent.
- Step 24** At closing of the Replacement Property you will sign the exchange documents along with all other closing documents.
- Step 25** **Beutler Exchange Group** will sign closing documents and wire funds to the Settlement Agent.
- Step 26** We will provide a detailed accounting of the exchange funds.

Throughout the process keep in mind the following:

1. You may **only purchase identified** property.
2. Use all the **cash** in the exchange account for the purchase of Replacement Property.
3. Incur equal, or greater, **debt**.
4. The IRS imposes **strict limits on what can be paid for** out of the exchange account.
5. The IRS imposes **severe restrictions on when exchange funds can be returned** to you.

Supporting players

Consultation with the Investor's **accountant** will confirm whether an exchange will benefit the Investor. Sometimes the Investor has a small gain and won't be greatly benefited by the exchange. Sometimes the Investor has carry forward losses that can be matched to the gain negating the need of an exchange. The accountant will know.

Consultation with the Investor's **real estate agent** is critical to understanding the current market and replacement property options that might be available before and during the 45-day identification period.

Consultation with the Investor's **lender** is essential to make sure the loan requirements will be compatible with the exchange requirements.