



# 1031 Exchange Basics: Rules, Structures, Guidelines, and the Role of the Qualified Intermediary

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A properly structured 1031 exchange can help real estate investors defer the payment of capital gain taxes when they sell rental, investment or business use real property and acquire replacement property of like kind. That tax deferral can preserve equity, improve buying power, and support long-term real property investment portfolio growth. It can also become complicated very quickly if the exchange is not handled correctly.

This article introduces the basic information for successfully structuring and completing a 1031 exchange transaction. It explains common exchange formats, outlines the core legal requirements, highlights the importance of working with a regulated qualified intermediary, and focuses on what really matters (as opposed to opinions).

If you are considering a simple tax-deferred delayed exchange or a more complex reverse or improvement exchange, the same principles apply. Details matter, timelines are strict, and the 1031 exchange must be documented and administered with care.

## What is a 1031 Exchange?

A 1031 exchange refers to a transaction structured under Section 1031 of the Internal Revenue Code and Section 1.1031 of the Treasury Regulations. In general, it allows a taxpayer to defer the recognition of capital gains and certain depreciation recapture taxes when they exchange qualifying real property held for rental, investment or for productive use in a trade or business for other qualifying real property.

A 1031 exchange is not a tax elimination or avoidance strategy. It is a tax deferral strategy. The taxable gain is deferred into the new replacement property unless a later taxable sale occurs without another like kind exchange.

Key points include:

- The property sold is commonly called the relinquished property. It was once referred to as the “down leg” property before the Treasury Regulations were issued.
- The property acquired is commonly called the replacement property. It was once referred to as the “up leg” property before the Treasury Regulations were published.
- Both properties must be held for rental, investment or business use. Intent is what really matters most.
- Taxpayers must follow strict timing, identification, and documentation rules for a successful exchange.
- The taxpayer cannot have actual or constructive receipt of their exchange funds. 1031 funds must be held by and under the control of a qualified intermediary.
- Since the Tax Cuts and Jobs Act of 2017, Section 1031 applies only to real property. Personal property (i.e., non-real estate) no longer qualifies for 1031 exchange treatment.

## Full and Partial 1031 Exchanges

Taxpayers can choose to complete either a full or partial 1031 tax-deferred exchange transaction. It is crucial that taxpayers consult with their tax advisors before starting any 1031 exchange to fully understand what their tax consequences, if any, will be from structuring a full or partial 1031 exchange.



### **Full 1031 Exchange**

A full or complete 1031 exchange is generally designed to defer the payment of all capital gain taxes and most depreciation recapture taxes that would otherwise be recognized at the time of the sale of the relinquished property. Taxpayers will also avoid triggering the net investment income tax, often referred to as the Obamacare Tax or Medicare Surcharge, since the taxable gains are deferred.

### **Reinvestment Requirements**

To defer all taxable gains and avoid the net investment income tax, the taxpayer typically must adhere to the following requirements:

- Purchase one or more replacement property(ies) with an aggregated or total purchase price(s) that is equal to or greater than the net sale price of the relinquished property (i.e., trade equal or up in value)
- Reinvest all of the net equity resulting from the sale of the relinquished property
- Replace the outstanding debt balance that was paid off on the sale of the relinquished property with equal or greater debt on the purchase of the replacement property. You can also replace debt with new out-of-pocket cash. You can always add cash to the transaction.

When these requirements are met and all other rules are satisfied, the 1031 exchange should qualify for full tax deferred exchange treatment.

### **Partial 1031 Exchanges**

A partial 1031 exchange occurs when the taxpayer completes an exchange transaction but does not satisfy one or more of the requirements outlined above for total tax deferral. This often results in taxable boot, which can include:

Cash boot: cash received from the sale of the relinquished property that is not reinvested in the purchase of the new replacement property.

Mortgage boot: payoff of the outstanding mortgage balance on the sale of the relinquished property that is not offset by new debt on the purchase of the replacement property or replaced with new out-of-pocket cash.

Other non-like-kind property: other property received that does not satisfy the qualified use requirement (i.e., property held for rental, investment or business use) or the like-kind property such as personal property (i.e., non-real estate received).

Partial 1031 exchange transactions may still provide substantial tax deferral benefits, but some taxable gain may be recognized. Trading down in value or not reinvesting all the cash equity through a partial exchange will not hurt your tax-deferred exchange but will likely result in some level of tax liability.

### **1031 Exchange Structures and Strategies**

Investment goals and transaction timing can require different exchange structures and strategies. The most common formats are outlined below.

### **Forward 1031 Exchanges**

Forward exchanges are the most common type of 1031 exchange used today. The sale of the relinquished property closes first, and the purchase of the replacement property occurs later. Forward 1031 exchange transactions can be structured as a concurrent or simultaneous exchange or as a delayed exchange. Forward exchanges represent approximately 96% of the transaction volume today, with the majority consisting of delayed exchange transactions.



### Concurrent Exchange

Concurrent or simultaneous exchanges occur when the sale of the relinquished property and the purchase of the replacement property close on the same day. This structure is straightforward in concept, but coordination is still essential. Real estate agents, transaction closing agents, legal documents, taxpayers and the qualified intermediary must all be aligned so the taxpayer does not receive constructive or actual receipt of the exchange proceeds. This is not a common structure given the coordination challenges involved.

### Delayed Exchange

Delayed exchanges are by far the most common exchange format today. The sale of the relinquished property closes first, the exchange proceeds are sent to and held by the qualified intermediary, such as Exeter 1031 Exchange Services, LLC (Exeter1031™), and the taxpayer later acquires one or more identified replacement properties within the required exchange deadlines. This structure gives investors more time to locate suitable replacement properties, but it also creates timing pressure because of the strict 45-calendar day identification due date and 180-calendar day exchange period.

### **Reverse 1031 Exchanges**

A [reverse exchange](#) is used when the taxpayer needs to close on the purchase of one or more replacement property(ies) before closing on the disposition of their relinquished property(ies).

This reverse structure is often used when the buyer of the relinquished property fails to close and the taxpayer must proceed with the purchase of their replacement property, or the desired replacement property is available and must close before the old property can be sold, or market conditions require a quick acquisition and the taxpayer wants to avoid losing a strategic purchase opportunity.

Some taxpayers prefer to structure reverse 1031 exchanges merely to relieve the stress due to the tight exchange deadlines involved in tax-deferred exchange transactions. Reverse exchanges are more complex, require more coordination, and usually cost more than delayed exchanges because of the required parking arrangement.

### Parking Arrangement

Taxpayers are not permitted to own or hold the relinquished property and the replacement property at the same time, so the Internal Revenue Service (IRS) requires that a [parking arrangement](#) be structured to acquire and hold or “park” legal title to either the relinquished property or the replacement property involved in the reverse 1031 exchange transaction.

The parking arrangement involves a third-party entity referred to as the exchange accommodation titleholder, such as Exeter Asset Services Corporation (ExeterAsset™), or EAT. The EAT will arrange to form a special-purpose entity or SPE that will serve as the legal title holder on behalf of the exchange accommodation titleholder. The legal title holder will be used to acquire and hold or “park” legal title to the parked property.

### **Improvement 1031 Exchanges**

An [improvement exchange](#), also called a build-to-suit exchange or construction exchange, allows exchange proceeds from the sale of the relinquished property to be used to purchase one or more replacement properties and to pay for qualifying capital improvements made or constructed on one of the replacement properties during the exchange period. This structure can help when a suitable replacement property is available but needs capital renovation, expansion, or tenant improvement work to meet the taxpayer’s goals.

A parking arrangement is also required with an improvement 1031 exchange. The replacement property must be acquired and held or “parked” by the exchange accommodation titleholder through an SPE while the capital improvements are completed. The capital improvements generally must be paid for and completed before the end of the 180-calendar day exchange period. The cost value counted toward the exchange reinvestment



requirement usually includes only capital improvements that are completed while legal title is parked with the EAT so that they are considered to be part of the real estate at the time of transfer to the taxpayer.

### **Leasehold Improvement 1031 Exchanges**

A [leasehold improvement exchange](#) is a more specialized variation of the improvement 1031 exchange. It essentially involves making capital improvements to real property already owned or controlled by the taxpayer through a related entity (not the exact same taxpayer) by creating a long-term leasehold interest that qualifies as real estate under applicable rules. These transactions require careful legal, tax and financial analysis because not every leasehold arrangement or improvement interest will qualify. Because of the significant complexity involved, early review by experienced legal, tax and financial advisors, as well as a qualified intermediary, experienced in leasehold improvement exchanges, are critical.

### **Foreign Property 1031 Exchanges**

Section 1031 of the IRC does not allow domestic real property to be exchanged for foreign real property, or foreign real property to be exchanged for domestic real property. Generally, U.S. real property must be exchanged for other U.S. real property (domestic for domestic real property) and foreign real property must be exchanged for foreign real property (non-domestic for non-domestic real property). Foreign property exchanges raise additional legal, tax, financial, title, foreign currency, and compliance related issues related to local laws, regulations and closing customs. They require careful structuring and should be handled only with professional guidance and a qualified intermediary that has significant experience in the administration of foreign property 1031 exchanges.

### **Zero Equity 1031 Exchanges**

Zero equity exchanges involve a relinquished property that has no net cash equity left after payment of the sale closing costs, debt payoff, and other obligations. Taxpayers can still defer taxable gains by structuring a zero equity 1031 exchange when there is no equity left by replacing debt or contributing additional capital into the replacement property acquisition. These transactions can be more technical than they appear. Taxpayers may have taxable gain even when sale proceeds are limited or fully consumed by closing and financing obligations. Proper calculations by the tax advisor are essential, especially when the relinquished property is lost through a fire sale, short sale, tax sale or foreclosure.

### **The Role of the Qualified Intermediary**

One of the most important decisions when structuring a 1031 exchange is choosing the qualified intermediary that you will work with. The qualified intermediary (QI), also known as an accommodator or facilitator, such as Exeter1031™, serves a crucial role in 1031 exchange transactions. The QI generally:

- Prepares the exchange agreement and related transaction documents
- Is assigned the purchase and sale agreements, or sale contract and purchase contract
- Holds and safeguards exchange proceeds so the taxpayer does not receive them, avoiding constructive or actual receipt of the 1031 funds
- Transfers exchange funds for the acquisition one or multiple replacement property(ies)
- Coordinates exchange documentation with the settlement or closing agents and advisors
- Helps maintain compliance with the exchange structure

The QI is not just an administrative convenience. In a delayed exchange, the QI is essential because the taxpayer must avoid actual or constructive receipt of the sale proceeds. If the taxpayer controls the funds, receives the benefits of the funds, or actually receives the 1031 funds, the exchange will fail and be treated as a taxable sale.

### **The Critical Importance of Using a Regulated Qualified Intermediary**

Not all [qualified intermediaries](#) operate under the same standards. That matters because the QI holds substantial exchange proceeds on behalf of many clients. Using a qualified intermediary that has some type of licensing and regulatory oversight can provide a significantly higher level of protection, accountability, and operational discipline. A regulated firm will be subject to audits and examinations, minimum regulatory required equity capital reserves, qualified trust account and recordkeeping standards, and other compliance measures that help protect and safeguard clients exchange proceeds.



This is especially important because the 1031 exchange qualified intermediary industry does not have any uniform national licensing framework; QI's have no regulatory oversight. In short, qualified intermediaries are not licensed or regulated. In practical terms, that means protections can vary significantly from one service provider to another. Qualified intermediaries that are licensed in some manner or have regulated oversight in some form can help reduce risks related to the following:

- Misuse or commingling of exchange funds
- Weak internal controls or checks and balances
- Insufficient equity capital reserves
- Inadequate bonding or insurance
- Poor documentation and execution errors
- Safeguarding 1031 exchange funds

The protection and safeguarding of exchange proceeds should always be the primary concern in every 1031 exchange transaction.

### **Regulatory Oversight**

In the 1031 exchange QI world, [regulatory oversight](#) is one of the strongest indicators of institutional discipline because the qualified intermediary has proactively chosen to be licensed or regulated. Regulation should include audits and examinations by state or federal regulators (e.g., state division of banking, office of the comptroller of the currency, Federal Deposit Insurance Corporation, and Federal Reserve Bank), audits of financial statements by certified public accounting firms (CPAs), financial and regulatory reporting requirements, compliance reviews, and operational standards that are not imposed on unregulated firms. For investors, regulatory oversight can provide a meaningful layer of protection beyond marketing claims.

### **Bonding and Insurance**

Bonding and insurance are important risk management tools. A reliable qualified intermediary should maintain significant bonding and insurance coverage to better protect its clientele. Regulated financial services companies (e.g., commercial banks and trust companies) should carry a financial institution blanket policy, which will include:

- Fidelity bond coverage (i.e., crime insurance covering theft of funds)
- Errors and omissions insurance (i.e., E&O insurance covering mistakes made by the QI)
- Cybersecurity and wire transfer fraud insurance

Bonding and insurance coverage does not replace good, solid internal controls or checks and balances required of regulated firms, such as Exeter Trust Company (ExeterTrust™), but they do offer financial protection if wrongdoing or human error occurs.

### **Minimum Regulatory Required Equity Capital Reserves**

Adequate capital reserves matter. A qualified intermediary with minimum regulatory required equity capital reserves may be better positioned to operate responsibly, absorb business and market risks, and maintain compliance obligations. Thinly capitalized firms can present significantly higher risk to taxpayers, particularly during volatile markets or economic downturns.

### **The Use of Qualified Trust Accounts**

Separate, segregated, dual-signature, restricted qualified trust accounts or qualified escrow accounts provide critically important protection for taxpayers' exchange funds. When properly structured, these separate, segregated, dual-signature, restricted account arrangements help reduce the risk of unauthorized access, misappropriation of exchange funds, and improve transparency in the custody of client 1031 proceeds. Taxpayers need to know and thoroughly understand these issues:

- Where 1031 funds will be held and safeguarded
- Who controls the disbursements of exchange funds



- How many signers are required to authorize the movement of exchange proceeds
- When are dual-signatures required
- Whether funds are segregated or commingled
- What account documentation is available

### **Best Practices in Picking a Reliable Qualified Intermediary**

When searching for and evaluating a top-of-the-line qualified intermediary, best practices include the following:

- Ask whether the firm is licensed and regulated, and by whom
- Ask if they are subject to regulatory exams and CPA audits
- Confirm how long the firm has been handling 1031 exchanges
- Review bonding, insurance, and internal control procedures
- Ask how exchange funds are held and safeguarded, and whether they are FDIC insured
- Confirm whether the firm uses separate, segregated, dual-signature, restricted qualified trust accounts
- Review the experience of the exchange officers and support team
- Ask whether the firm handles basic and complex exchanges
- Evaluate responsiveness, availability, and documentation quality; are they available 24/7/365
- Request a clear explanation of all fees, costs and charges
- Make sure the firm will coordinate closely with your tax advisor, attorney, broker, and closing agent

A reliable 1031 exchange QI should be able to answer these questions directly and in writing.

### **Basic Rules, Requirements, and Guidelines**

1031 exchanges are technical transactions governed by Section 1031 of the Internal Revenue Code, Section 1.1031 of the Treasury Regulations, IRS rulings, and case law. The following are some of the most important basic rules along with what really matters and qualifies.

#### **Qualified Use Property Requirement**

The most important requirement is that the taxpayer have the intent to hold the relinquished property and the replacement property for rental, investment or use in a trade or business. Property held primarily for personal use, such as a primary residence, second home or vacation property, do not qualify for tax-deferred exchange treatment. Property acquired with the intent to hold for sale in a real estate business does not qualify for 1031 exchange treatment (e.g., property bought for development, rehab/flipping, etc.).

#### **Like Kind Property Requirement**

The like kind property requirement literally means you must sell real estate and then acquire real estate. Any kind of real property that satisfies the qualified use requirement will satisfy the like kind property requirement. The only caveat is that you must sell domestic property and reinvest in domestic property (i.e., U.S. property for U.S. Property) or you must sell non-domestic property and reinvest in non-domestic property (i.e., foreign property for foreign property). The broad like-kind standard does not remove the other requirements. Qualified use and proper structure still matter.

#### **Same Taxpaying Entity Requirement**

The taxpayer that sells the relinquished property should be the same taxpayer that acquires the replacement property. This is often called the [same taxpayer requirement](#) or same taxpaying entity rule. Legal title to the relinquished property and the replacement property does not need to be the exact same legal title, but the taxpayer on both properties must be considered to be the same taxpayer. Problems can arise when legal title or ownership changes between the sale of the relinquished property and the purchase of the replacement property, such as moving from an individual to an LLC treated as a partnership, from one partnership to another type of entity, or from joint owners into separate acquisitions. Entity planning should be addressed well before the sale of the relinquished property closes.



### **Multiple Properties and Fractional Interest Options**

A taxpayer can sell one or more relinquished properties and can exchange (purchase) into one or more replacement properties. Certain fractional interests, including properly structured tenants-in-common interests or Delaware Statutory Trusts (DSTs), can also qualify for 1031 exchange treatment. These options can support diversification, geographic expansion, passive ownership goals, or consolidation strategies.

### **Identification of Replacement Property Rules and Requirements**

Taxpayers must identify potential replacement properties in a signed written identification of replacement property notice delivered to their qualified intermediary within 45-calendar days after the close of the sale of the relinquished property. There are three (3) identification rules to consider. Taxpayers only have to comply with one (1) of the following ID rules:

#### The Three Property Rule

The taxpayer (exchangor) can identify up to three (3) potential replacement properties, regardless of value, and acquire one, two, or all three. This is the most commonly used identification of replacement property rule.

#### The 200% of FMV Rule

Exchangors can identify more than three replacement properties if the aggregate fair market value of all identified replacement properties does not exceed 200% of the gross sale price of the relinquished property or properties.

#### The 95% Acquisition Exception Rule

If the taxpayer identifies several properties that exceed the limits of the three-property ID rule and the 200% of fair market value (FMV) rule, the identification may still be valid if the taxpayer acquires at least 95% of the aggregate (total) value of all identified properties.

### **Deadlines, Due Dates and Timing Restrictions**

There are two (2) crucial deadlines that are central to 1031 exchanges:

- Taxpayers must identify their potential replacement properties (ID rules described above) within 45-calendar days after the sale of their relinquished property closes.
- Taxpayers have an additional 135-calendar days after their 45-calendar day identification deadline to complete their 1031 exchange. This equates to 180-calendar days total after the sale of their relinquished property closes.

The 180-calendar day exchange period may be shortened if the taxpayer's federal tax return due date arrives first, unless an extension to file their tax return is available and properly filed. Extensions are not permitted.

### **Prohibition of Actual or Constructive Receipt of Funds**

The taxpayer cannot receive, control, borrow, pledge, or otherwise obtain the benefit of their exchange proceeds during the exchange period. Even indirect benefits received from the 1031 funds may create constructive receipt, which can disqualify the exchange. That is why proper exchange documentation and use of a qualified best practices intermediary are so important.

### **Permissible and Non-Permissible Exchange Expenses**

Certain [transaction costs](#) for the sale of the relinquished property or the purchase of the replacement property can be paid from the exchange proceeds without creating taxable boot, while the payment of other operating or financing expenses may trigger tax consequences.



### Permissible Exchange Expenses and Closing Costs

- Owner's title insurance policy premiums
- Escrow agent, settlement agent or closing attorney fees
- Real estate broker's commissions
- Finder fees or referral fees
- 1031 Exchange qualified intermediary fees
- Documentary transfer taxes
- Recording or filing fees
- Attorney fees and costs related to the disposition or acquisition
- Tax advisor fees directly related to the sale or purchase

### Non-Permissible Operating Expenses, Financing and Closing Costs

- Financing or lender related costs such as interest expense, loan fees, loan points, appraisal fees, mortgage insurance premiums, lender's title insurance policy premiums, and other loan processing fees and costs
- Prorated property taxes
- Prorated rents
- Insurance premium payments
- Security deposits
- Payoff of credit card balances
- Repairs, maintenance and related costs to get the property ready for sale
- Legal, tax or advisory fees unrelated to the sale or purchase of exchange property

These distinctions can be technical. Settlement statements should be reviewed carefully with tax and exchange professionals before closing.

### **Exeter 1031 Exchange Services, LLC**

Exeter 1031 Exchange Services, LLC (Exeter1031™) stands out as a best practices qualified intermediary for investors who want experience, structure, and strong fund safeguards. Exeter1031™ is one of the few qualified intermediaries that has any kind of licensing or regulatory oversight. In a transaction where timing, rules and requirements are unforgiving and exchange proceeds must be protected with care, it is important to work with a firm that emphasizes compliance, documentation quality, and dependable service.

Exeter 1031 Exchange Services, LLC is known for providing 1031 exchange support across a wide range of transaction types, from straight forward delayed exchanges to more complex reverse and improvement 1031 structures. Its focus on regulated operations, client fund protections and safeguards, and responsive service reflects the standards many investors, advisors, and institutional clients look for in a qualified intermediary.

### **Frequently Asked Questions About 1031 Exchanges**

A 1031 exchange can be a powerful tax-deferral strategy for real estate investors, but it comes with strict rules, deadlines, and structural requirements. The following frequently asked questions (FAQs) address the core issues investors, property owners, and advisors often raise when evaluating or completing a 1031 exchange. This FAQ list is designed to provide a clear, practical overview of 1031 exchange basics, exchange structures, qualified intermediary requirements, fund protection and safeguards, and best practices.

#### **What is a 1031 exchange?**

A 1031 exchange is a transaction structured under Section 1031 of the Internal Revenue Code (IRC) that allows a taxpayer to defer capital gain taxes and certain related tax liabilities when selling qualifying real property and acquiring other like-kind real property for rental, investment or business use. Key points include:

- It is a tax deferral, not tax elimination or avoidance
- It applies to real property held for rental, investment or productive use in a trade or business



- The property sold is the relinquished property
- The property acquired is the replacement property
- The transaction must follow strict IRS timing and documentation rules

#### **What is the difference between a full 1031 exchange and a partial 1031 exchange?**

A full 1031 exchange is generally structured to defer all taxable gains that would otherwise be recognized on the sale. A partial 1031 exchange still qualifies as an exchange, but some portion of the gain will likely be taxable.

A full exchange usually requires the taxpayer to acquire replacement property of equal or greater value, reinvest all net equity resulting from the sale of the relinquished property, and to replace the debt paid off on the sale of the relinquished property, or add cash to make up the difference.

A partial exchange may result in taxable boot, such as cash not reinvested, debt reduction not offset with new debt on the replacement property or receipt of non-like-kind property

#### **What types of property qualify for a 1031 exchange?**

To qualify, both the relinquished property and the replacement property must generally be held for rental investment, or productive use in a trade or business. Like-kind treatment for real estate is broad. Examples may include:

- Raw land exchanged for an apartment building
- Retail property exchanged for industrial property
- Office property exchanged for a net-leased asset
- Property held primarily for resale or inventory

#### **What are the main types of 1031 exchange structures?**

There are several common 1031 exchange structures, and the right one depends on transaction timing and investment objectives. Common exchange structures include:

- Forward 1031 Exchange
- Concurrent or simultaneous exchange
- Delayed exchange
- Reverse 1031 Exchange
- Improvement 1031 Exchange
- Leasehold Improvement 1031 Exchange
- Foreign Property 1031 Exchange
- Zero Equity 1031 Exchange

Each structure has its own compliance requirements, documentation needs, and practical risks. Delayed exchanges are the most common, while reverse, improvement and leasehold improvement exchanges are typically more complex.

#### **What does a Qualified Intermediary do in a 1031 exchange?**

A qualified intermediary (QI), also called an accommodator or facilitator, is a critical party in 1031 exchanges. The QI helps structure and document the exchange so the taxpayer does not have actual or constructive receipt of the sale proceeds. A qualified intermediary typically:

- Prepares exchange documents
- Receives assignment of the sale and purchase agreements
- Holds exchange proceeds
- Coordinates with escrow, title, closing agents, and advisors
- Disburses funds for the replacement property acquisition
- Helps maintain compliance with exchange requirements



Without a properly structured QI arrangement, the exchange will likely fail.

#### **Why is it important to use a regulated entity?**

Using a qualified intermediary that is regulated in some form is important because QIs hold substantial 1031 funds on behalf of their clients during the exchange period. Regulatory oversight provides a significant added layer of protection, accountability, and operating discipline. A regulated Qualified Intermediary may offer stronger safeguards through:

- Regulatory examinations or audits
- Compliance standards
- Required recordkeeping
- Minimum capital standards
- Trust account controls
- Established internal procedures

This matters because the 1031 exchange qualified intermediary industry does not operate under one uniform national licensing system. Qualified intermediaries are not licensed nor regulated. Investors should evaluate a QI carefully before transferring exchange proceeds.

#### **How are 1031 exchange funds protected during the exchange?**

Safeguarding exchange proceeds is one of the most important parts of a 1031 exchange. Investors should understand exactly how funds are held, controlled, and protected. Important fund protection measures include:

- Regulatory oversight and exams
- Bonding and insurance
- Minimum regulatory required equity capital reserves
- Qualified trust accounts
- Clear disbursement controls along with checks and balances
- Segregated or properly managed custody arrangements

A reliable and best practices qualified intermediary should be able to explain:

- Where the funds will be deposited
- Who has access to the account
- Whether dual authorization is required
- Whether the account is trust-based or otherwise safeguarded
- What insurance and bonding protections are in place

#### **What are the most important 1031 exchange deadlines?**

The two most important deadlines in a delayed 1031 exchange are the 45-day identification due date and the 180-day exchange period. These deadlines generally require the taxpayer to identify replacement property within 45 calendar days after transferring the relinquished property to the buyer and acquire replacement property within 180 calendar days after transferring the relinquished property to the buyer. Important rules to remember:

- These are calendar days, not business days
- Weekends and holidays are generally included
- The 180-day deadline may be shortened by the taxpayer's tax return due date if no extension is filed

These deadlines are strict and should be tracked carefully from the first closing date.



**What are best practices when choosing a qualified intermediary for a 1031 exchange?**

Selecting the right 1031 qualified intermediary (QI) is a key risk-management decision. Investors should look beyond fees and focus on licensing, regulation, experience, controls, responsiveness, and fund protection. Best practices include asking:

- How long has the company been handling 1031 exchanges?
- Is the firm regulated, audited, or otherwise subject to oversight?
- How are exchange funds held and protected?
- Does the company maintain bonding and insurance?
- Are qualified trust accounts available?
- Does the firm handle reverse, improvement, and other complex exchanges?
- Will the team coordinate closely with legal, tax, escrow, and title professionals?
- Is the firm available when urgent closing or deadline issues arise?

A strong qualified intermediary should provide clear answers, reliable documentation, and dependable support throughout the exchange process.