



Sample 1031 Exchange Cooperation Clause Language for a Purchase or Sale Contract

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A 1031 exchange cooperation clause is language that can be inserted into a listing agreement, letter of intent, or purchase and sale agreement that notifies the other party of a seller's or buyer's intent to complete a tax-deferred exchange under Section 1031 of the Internal Revenue Code and secures their cooperation at no additional cost or liability to them. Exeter 1031 Exchange Services, LLC is pleased to provide the following sample 1031 exchange cooperation clause language that can be used in a purchase and sale contract as a courtesy to you and your legal, tax or financial advisors.

The cooperation clause language provided below may not be appropriate or suitable for your specific situation. Like kind exchanges are extremely complex transactions. You should always consult with your own legal, tax and financial advisors for guidance in selecting the most appropriate cooperation clause language to use for your specific 1031 exchange transaction prior to executing any purchase and sale agreements, escrow instructions, 1031 exchange agreements and/or any other related transactional documentation.

What cooperation clause should I use for a relinquished property sale?

For the sale of a relinquished property, the cooperation clause should notify the buyer that the seller's rights, title and interest in the contract will be assigned to a qualified intermediary. The following sample language will help get you started:

Buyer acknowledges that Seller intends to perform a tax-deferred exchange transaction pursuant to Section 1031 of the Internal Revenue Code and Section 1.1031 of the Treasury Regulations and that Seller's rights, title and interest (but not obligations) pursuant to this [insert name of purchase and sale agreement or sales contract or escrow instructions] will be assigned to Exeter 1031 Exchange Services, LLC, a California limited liability company, with its national corporate headquarters office located at 404 Camino del Rio South, Suite 600, San Diego, CA 92108, as Seller's qualified intermediary, for the purpose of completing Seller's 1031 exchange transaction. Buyer agrees to cooperate with Seller and Exeter 1031 Exchange Services, LLC at no additional cost or liability to Buyer, by executing the documents necessary to complete Seller's 1031 exchange transaction.

What cooperation clause should I use for a replacement property purchase?

For the purchase of a replacement property, the cooperation clause should notify the seller that the buyer's rights, title and interest in the contract will be assigned to a qualified intermediary. The following sample language will help get you started:

Seller acknowledges that Buyer is completing a tax-deferred exchange transaction pursuant to Section 1031 of the Internal Revenue Code and Section 1.1031 of the Treasury Regulations and that Buyer's rights, title, and interest (but not obligations) pursuant to this [insert name of purchase and sale agreement or purchase contract or escrow instructions] will be assigned to Exeter 1031 Exchange Services, LLC, a California limited liability company, with its national corporate headquarters office located at 404 Camino del Rio South, Suite 600, San Diego, CA 92108, as Buyer's qualified intermediary, for the purpose of completing Buyer's 1031 exchange transaction.



Seller agrees to cooperate with Buyer and Exeter 1031 Exchange Services, LLC at no additional cost or liability to Seller, by executing the documents necessary to complete Buyer's 1031 Exchange transaction.

What cooperation clause should I use for a replacement property in a reverse 1031 exchange?

A [reverse 1031 exchange](#), an [improvement 1031 exchange](#) or a [leasehold improvement 1031 exchange](#) requires different cooperation clause language because the buyer's rights, title and interest are assigned to an exchange accommodation titleholder as part of a parking arrangement required by Revenue Procedure 2000-37 rather than a standard qualified intermediary. The following sample language will help get you started:

Seller acknowledges that Buyer is completing a reverse 1031 exchange (or improvement 1031 exchange or leasehold improvement 1031 exchange) transaction, pursuant to Section 1031 of the Internal Revenue Code, Section 1.1031 of the Treasury Regulations, and IRS Revenue Procedure 2000-37, and that Buyer's rights, title and interest (but not obligations) pursuant to this [insert name of purchase and sale agreement or purchase contract or escrow instructions] will be assigned to a new single member limited liability company and disregarded entity formed by Exeter Asset Services Corporation, a Wyoming corporation, with its office located at 205 Storey Boulevard, Suite 200, Cheyenne, WY, 82009, as Buyer's exchange accommodation titleholder, for the sole purpose of completing Buyer's reverse 1031 exchange (or improvement 1031 exchange or leasehold improvement 1031 exchange) transaction.

Seller agrees to cooperate with Buyer and Exeter Asset Services Corporation at no additional cost or liability to Seller, by executing the documents and deeds necessary to complete Buyer's like 1031 exchange transaction, including an Assignment of the Purchase and Sale Agreement for the subject property to the new single-member limited liability company and disregarded entity.

Frequently Asked Questions

Q: Why does a Purchase and Sale Agreement need a 1031 exchange cooperation clause?

A: A cooperation clause formally notifies the other party to the transaction of the 1031 exchange and documents their agreement to cooperate, at no additional cost or liability to them, by executing the documents necessary to complete the exchange.

Q: Does the cooperation clause obligate the buyer or seller to pay any fees?

A: No. The sample clause language above expressly states that the non-exchanging party agrees to cooperate "at no additional cost or liability" to them.

Q: Can I use this sample cooperation clause language without modification?

A: Not necessarily. 1031 Exchanges are extremely complex transactions, and this sample language may not be appropriate for your specific situation. Always consult your legal, tax, and financial advisors before finalizing any purchase and sale agreement, escrow instructions, or 1031 exchange agreement.

1031 exchange transactions are complex income tax strategies. You should always consult with competent legal, tax, and financial advisors before entering into any 1031 exchange. The Exeter Group of Companies does not provide legal, tax, or financial advice. To speak with a 1031 exchange specialist, call (866) 393-8377, email ask@exeterco.com, or visit exeterco.com, 24 hours a day, 7 days a week. You can reach Alineh Mouradian, Business Development Officer, Exeter 1031 Exchange Services, LLC, in our [Los Angeles Regional Office](#).