



## Exchange Requirements for Non-Recognition of Gain

The properties exchanged must qualify, and be of “like kind”

1. Like-Kind refers to your use of the property and not to its grade or quality.
2. “1031 property may be mixed as to type and still be like-kind. As an example, you may exchange land for a duplex, or a commercial building for a condominium unit. (Second homes that have never been rented do not qualify if it is used solely for personal use).
3. Property held outside the USA and its territories does not qualify for exchange with property held within the USA.

The time requirements must be strictly followed.

- The period of time to “Identify” the replacement property begins on the date of closing of the exchange property and ends 45 days later. The replacement property must be identified in writing and delivered to the facilitator by midnight of the 45th day after the closing of the relinquished (exchange) property. In identifying, the replacement property it must be unambiguously described. We recommend that you use either a legal description or a specific street address.
- The period of time in which the replacement property must be received by the exchanger begins on the date of closing of the exchange property and ends on the date that the tax return of the taxpayer is due, including extensions, or in 180 days, whichever is earlier.

## Common Terms

- **RELINQUISHED PROPERTY:** This is the property you now own and are planning to sell or exchange
- **REPLACEMENT PROPERTY:** This is the property or properties (there can be more than one) which you are planning to purchase.
- **NON RECOGNITION OF GAIN:** IRS terminology which means you don’t have to pay the Capital Gains Tax on the transaction.