

**MAXIM**<sup>®</sup>  
LLC

1031 Exchanges

What You Need To Know

## **Introduction**

1031 Exchanges can be a immaculate tool to defer taxes and grow your real estate portfolio. There are many misconceptions about 1031 Exchanges which we will review in detail.

**\*\* PLEASE NOTE - THIS BOOK SHOULD BE ONLY USED FOR INFORMATIONAL PURPOSES ONLY AND NOT AS A LEGAL OR AN ACCOUNTING GUIDE. PLEASE CONSULT WITH AN ATTORNEY OR AN ACCOUNTANT ON ANY AND ALL LEGAL OR TAX MATTERS. ALL ASSOCIATES, BROKERS, REALTORS AND DIRECTORS OF MAXIM LLC ARE NOT ATTORNEY'S OR ACCOUNTANTS AND WILL NOT PROVIDE ANY LEGAL OR TAX ADVICE TO YOU.**



## 1031 Exchange Will Defer:

- Capital Gains
- Depreciation Recapture Tax
- State taxes (Usually)
- 3.8% Healthcare Tax (2013 – If applicable)
- FIRPTA (In some cases).



## Advantages:

- Ability to acquire property with greater income potential (IE – Land for 2 rental homes)
- Consolidation of multiple properties into one (IE – 3 rentals properties for one SF house)
- Acquire less management intensive property (IE – Rental properties for vacant land)
- Move markets (IE – Ohio property for Florida property)
- Exchange from a property that is tough to refinance such as land.
- Exchange for a property that maybe easier to sell in the upcoming years (retirement).
- Exchange for business use (Multiple rental properties into a Doctors office building for their use).
- Exchange out of a partnership interest.

## Misconceptions:

- You do not have to “swap” properties
- They do not have to be similar (IE – strip center for a strip center)
- They are complicated.
- They cost a lot.

## Time Frame:

- 45 days from closing to identify (up to 3 properties)
- 180 days from closing to close on all intended purchases.
- Exchange MUST be in place prior to the original property closing.
- Investment property should be held 1 year and 1 day. Suggested 2+ years. No fix/flips.

## Other:

Must be real property for investment or business use.

QI – Must use a Qualified Intermediary (third party) to facilitate the exchange. They may not be the Tax Payer, An agent of the tax payer (ie – realtor, attorney, tax advisors, banker, accountant, or a lineal descendant of the exchangor).

Thank you for taking the time to review this information. This is a very straight forward and basic way to grow your portfolio by deferring taxes. You are reading this right now because you likely have a property you want to sell or interested in learning for future acquisitions and / or sales.

Either way, we are here to help facilitate this by finding you the right property to move your portfolio into as well as aggressively selling your current investment. We strive for long term relationships with our investors and strategically work together to build your portfolio like we have done with others. We look forward to teaming up with you!

