

1031 exchanges of real property

Under Section 1031, all real property (as it is defined by state law) is considered "like-kind" with other real property of the same nature or character. The property must be held for investment or productive use in a trade or business. The following are examples of qualified "like-kind" real property exchanges:

- Raw land for rental property
- Single family rental for multi-family rental
- Retail space for motel/hotel
- Farms/ranch for golf course
- 30-year leasehold interest for fee simple interest
- Non-income producing raw land for income-producing rental property

The use of a qualified intermediary is the most common method to quickly and easily complete a valid tax-deferred exchange. As a qualified intermediary, Wells Fargo typically holds funds during the course of deferred exchanges. Facilitating a forward 1031 exchange with Wells Fargo as the qualified intermediary requires the following:

- 1. You sign a contract to sell an asset(s) to the buyer.
- 2. Prior to the property closing, you retain Wells Fargo to be the qualified intermediary.
- 3. At the closing, the exchange funds are wired or a check is sent to Wells Fargo.
- 4. The taxpayer completes the Identification of Replacement Property exhibit and returns it to Wells Fargo within the first 45 days after the transfer of the relinquished property.
- 5. You have a maximum of 180 days from the transfer date of the relinquished property to acquire any and all replacement properties.
- 6. At the closing of the property to be purchased, Wells Fargo wires the exchange funds or sends a check to complete the exchange.



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Wells Fargo Bank, N.A. does not provide tax or legal advice, nor can we make any representations or warranties regarding the tax consequences of your exchange transaction. Property owners must consult their tax and/or legal advisors for this information. Our role is limited to serving as qualified intermediary/accommodator to facilitate your exchange. The summaries of steps for qualified exchanges are for illustration purposes only and are not intended to be exhaustive and will vary depending on the complexity of the transactions. © 2015 Wells Fargo Bank, N.A. All rights reserved. 749970