

## *The IRS Rules for Exchanges...*

You will need to follow six primary rules for your exchange to meet stringent IRS regulations:

- 1 Real Property Use.** Both your old and new properties must qualify as investment or business use. If both properties pass this test, you can exchange nearly any type of real estate.
- 2 45 Day Identification Period.** You have 45 days from the closing of your sale to list the properties you may want to buy. There are no exceptions to the deadline.
- 3 180 Day Exchange Period.** From the sale closing date, you have 180 days to close on the purchase of one or more properties from the 45-day list. Again, there are no exceptions to this deadline.

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- 4 Qualified Intermediary.** The IRS mandates that you use an intermediary to prepare the legal documents for your exchange. Because the intermediary must be independent, it cannot be your friend, employee, broker, or even your accountant or attorney. The intermediary holds your money, so that you do not have access to it.

"An Exchange Company"

- 5 Proper title holding.** You must purchase and take title to your new property exactly as you held title to your old property.

- 6 Reinvestment Requirements.** To defer all of your capital gain tax, you must buy a property equal or higher in value than the one you sold. Also, you must reinvest all of the cash proceeds from your sale.

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