

# 1031 Exchange Checklist

2025 Edition • Investor Playbook

Cover

## Defer Taxes • Trade Up • Build Wealth

- Memorize the 45-Day & 180-Day rules (no grace period).
- Never touch the proceeds—use a Qualified Intermediary (QI).
- Reinvest all net proceeds and replace debt to avoid taxable boot.
- Keep everything investment/business use; personal use property won't qualify.

Educational only; not tax/legal advice. Consult a CPA/attorney experienced in 1031 exchanges.

# Quick Rules & Timeline

Section 1

Pin these dates, then work backward.

## Key Dates

45-Day Identification Deadline:  
\_\_\_\_\_ (Sale Date + 45 days)

180-Day Closing Deadline:  
\_\_\_\_\_ (Sale Date + 180 days)

## Non-Negotiable Rules

- ☐ Engage a Qualified Intermediary (QI) before closing the sale; proceeds must flow to the QI.
- ☐ Identify replacement properties within 45 days of sale—submit in writing to the QI.
- ☐ Close on the replacement property within 180 days of sale (or the tax filing due date, if earlier).
- ☐ Exchange real property held for investment/business use for like-kind real property (U.S. for U.S.).
- ☐ To fully defer tax: buy equal/greater value, reinvest all net proceeds, and replace equal/greater debt.

### Pre-Sale Prep

- ☐ Confirm basis, accumulated depreciation, and projected capital gains.
- ☐ Pre-select a bonded QI with segregated escrow accounts.
- ☐ Assemble team: CPA, attorney, lender, insurance, escrow.
- ☐ Order prelim title; gather leases, rent roll, T-12, and vendor contracts.
- ☐ Model proceeds and debt replacement to avoid taxable boot.

### Documents to Gather

- ☐ Exchange agreement & assignment docs (from QI).
- ☐ Identification letter(s) + QI acknowledgments.
- ☐ Closing statements (HUD/CD), deeds, wire confirmations.
- ☐ Loan docs, appraisal, insurance binders, rent roll.
- ☐ Form 8824 workpapers and supporting schedules.

## Day 0-45: Identification Phase

- ☐ Start sourcing replacements immediately—don't wait until day 30+.
- ☐ Use one IRS Identification Rule: 3-Property Rule, 200% Rule, or 95% Rule.
- ☐ Submit identification letter to QI by day 45; keep written acknowledgment.
- ☐ Begin lender conversations early; request term sheets and timelines.

### Identification Rules (Quick)

- 3-Property Rule: Identify up to 3 properties; acquire any or all.
- 200% Rule: Identify any number so long as total FMV  $\leq$  200% of relinquished value.
- 95% Rule: Identify any number; acquire  $\geq$  95% of total FMV identified.

## Identification Letter Template (to your QI)

I/We hereby identify the following replacement property(ies) under IRC §1031:

1) [Address / legal], City, ST ZIP (Est. FMV: \$\_\_\_\_)

2) [Address / legal], City, ST ZIP (Est. FMV: \$\_\_\_\_)

3) [Address / legal], City, ST ZIP (Est. FMV: \$\_\_\_\_)

Relinquished: [Address]. Sale date: [MM/DD/YYYY]. Submitted within 45 days of sale.

## Day 46-180: Acquisition Phase

- ☐ Due diligence: inspections, environmental (as applicable), estoppels, service contracts.
- ☐ Finalize financing: appraisal, DSCR, entity docs, reserves, insurance.
- ☐ Coordinate exchange docs and assignment language with QI + closing agent.
- ☐ Track debt replacement and funds flow; avoid taxable boot.
- ☐ Close by day 180; confirm deeds, settlement statements, QI disbursement.

# Pitfalls, Pro Tips & Deal Worksheet

Section 3

Stay compliant. Stay profitable.

## Common Pitfalls

- ☐ Constructive receipt of funds (money touches your account). Always route through QI.
- ☐ Missing 45/180-day deadlines—no extensions for indecision.
- ☐ Buying for personal use; maintain investment/business intent and documentation.
- ☐ Entity mismatch between seller/buyer without proper planning.
- ☐ Reducing debt or taking cash out without planning for tax impact (boot).

## Pro Tips

- ☐ “Swap till you drop”: exchange forward; coordinate with estate planner for step-up in basis.
- ☐ Consider improvement exchanges to upgrade value within the 180-day window.
- ☐ Model DSCR and cash flow before identifying; don’t force a weak asset to save a deferral.
- ☐ Pre-negotiate extension rights and access for inspections to hit timelines.

## Deal Worksheet

Relinquished Property:

Address \_\_\_\_\_

Sale Date \_\_\_\_\_ Net Proceeds \$\_\_\_\_\_ Debt to Replace \$\_\_\_\_\_

Replacement Targets:

1) \_\_\_\_\_

2) \_\_\_\_\_

3) \_\_\_\_\_

45-Day Deadline \_\_\_\_\_ 180-Day Deadline \_\_\_\_\_