

The Texas 1031 Exchange Company
830.608.1031

The following is for informational purposes only and does not constitute tax, legal or accounting advice. You are advised to seek appropriate professional advice regarding your facts and circumstances.

Forward Exchange Check List

Relinquished Property

___ Discuss overall tax strategy with tax advisor and Intermediary (QI) and review qualifying use of relinquished property and replacement property. QI cannot give tax advice.

___ Finalize assignable sale agreement with “1031 cooperation clause”. Lack of clause will not cause exchange to fail. Use addendum

___ Intermediary receives copy of sales agreement and Schedule A of title commitment for relinquished property

___ Intermediary prepares exchange package and forwards to Closer. Closer will be instructed to add following items to settlement sheet:

Seller block: “The Texas 1031 Exchange Co assignee / intermediary for (exchanger name)”

Signature line: “The Texas 1031 Exchange Co assignee / intermediary for (exchanger name)”

___ The following documents will be signed at closing. 180 day clock starts.

Engagement letter – *Signed by Seller (Exchanger)*

Requirements for section 1031 exchange - *Signed by Seller*

Section 1031 exchange agreement - *Signed by Seller*

Section 1031 exchange addendum (Cooperation Clause) – *Seller & Buyer*

Assignment of purchase and sale agreement – *Signed by Seller*

Notice of assignment - *Signed by Buyer*

___ Net cash funds will be sent directly to Intermediary’s escrow account. Old debt paid off to be replaced by new debt on replacement property. Any cash taken from transaction is taxable. Any debt not replaced is taxable.

___ Intermediary notifies exchanger of identification requirements and dates for 45th day and 180th day. Holidays and weekends included.

___ Identification of replacement property must be provided to intermediary prior to 45th day deadline including improvements. All signatures required;

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submit via fax, email or registered mail. No exceptions. If part of the replacement is construction, **improvements must be identified as well.** See *construction check list for more information.*

- ___ If identification is not made or is rescinded prior to end of 45 day period, exchange is terminated and funds are returned to exchanger after 45th day. If property is identified but not purchased, exchange cannot be terminated until day 180 and funds will be returned after day 180.

Replacement Property

- ___ Intermediary receives copy of sales agreement and Schedule A of title commitment for replacement property. Contract must represent property previously identified if not closed in first 45 days. If this property will be part of a **construction exchange**, this property will be deeded to an LLC. Improvements must have been identified by the 45th day (see construction check list for more information).

- ___ Intermediary prepares exchange package and forwards to closer

- ___ The following documents will be signed at closing

- Section 1031 exchange agreement
 - Section 1031 exchange addendum
 - Assignment of purchase and sale agreement
 - Notice of assignment
 - Authorization to wire transfer funds to closing – ***Amount must be filled in and must be signed by exchanger***

- ___ At closing, exchanger will authorize funds to be transferred to closing authority.

- ___ Exchanger should receive original exchange documents with copy sent to intermediary.

- ___ If no other properties are identified or eligible, exchange is complete and excess funds will be sent to exchanger. If other eligible identified properties remain, funds must be held for next purchase or until 180 day period ends.

The above check list may not be complete and should only be considered a general guide to the mechanics of completing a 1031 exchange transaction. Please consult with your tax advisor/attorney for all tax and legal advice.