

The Texas 1031 Exchange Company
830.608.1031

Reverse 1031 Exchange Checklist

Replacement Property (Purchased First and Parked)

- ___ **Discuss exchange scenario with tax advisor and intermediary. All options should be considered well in advance of closing.**
- ___ Intermediary receives copy of purchase agreement and Schedule A of title commitment for replacement property.
- ___ Property must be purchased in same name as old property is held (IMPORTANT)
- ___ If third party lender will be used to purchase replacement, that lender needs to be notified that a single member LLC will be set up by the Qualified Intermediary (Texas 1031 Exchange Company) to serve as the titleholder (EAT) and borrower with the exchanger guaranteeing any loans. *It is crucial that the lender be brought into the process early on before loan documents are drafted.*
- ___ Intermediary prepares exchange package and forwards to Closer
- ___ The following documents will be signed at closing
 - Engagement letter
 - Requirements for section 1031 exchange
 - Section 1031 exchange agreement
 - Section 1031 exchange addendum
 - Assignment of purchase and sale agreement relinquished property
 - Notice of assignment
 - Lease between LLC and exchanger (if no construction is done)
- ___ Funds will be sent to the closing agent (title company or escrow company) by the lender and/or exchanger. If exchanger's personal funds are used, a note will be signed between exchanger and LLC. Exchanger's attorney should perfect a deed of trust.
- ___ Contact the insurance agent to be sure that the client, the EAT and EAT holding company are all listed as named insured's on all of the hazard and liability insurance
- ___ Intermediary notifies exchanger of identification requirements and dates for 45th day and 180th day
- ___ Identification of relinquished property (property to be sold in a reverse exchange) must be provided to intermediary prior to 45th day deadline.

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- ___ If improvements are going to be constructed in conjunction with the reverse exchange, the identification of improvements must also be made by the 45th day with as much detail as possible. Indexed plans or sketches can also be attached to the ID letter. You must notify the intermediary of your wishes to do construction at the start of the exchange. Additional QI construction fees apply.

- ___ Taxpayer will enter into a construction contract with contractor
- ___ Taxpayer will assign construction contract to LLC
- ___ If construction is done by “related party”, the property must be held for 2 years.
- ___ Taxpayer will sign a Project Management Agreement
- ___ Draws or invoices will be approved by taxpayer and sent to intermediary to release exchange funds to contractor
- ___ Contact the insurance agent to be sure that the client, the EAT and the EAT holding company are all listed as named insured’s on all of the hazard and liability insurance

Relinquished Property

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

- ___ 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 relinquished property
 - Notice of assignment

- ___ Funds will be transferred to Intermediary’s escrow account at closing (used to pay off notes made to LLC as part of the Reverse Exchange).

- ___ LLC is transferred to exchanger or property is deeded to exchanger and LLC is dissolved.

Exchange must be completed by the 180th day. In construction exchanges, exchanger will only receive 1031 credit for construction actually completed. Prepaid services or materials do not apply.

THIS CHECKLIST MAY NOT BE COMPLETE

Please consult your CPA or Tax Attorney regarding all issues concerning this exchange. The Texas 1031 Exchange Company serves only as the Qualified Intermediary (QI) and any information presented here should not be construed as tax or legal advice.