

IMPROVEMENT/CONSTRUCTION EXCHANGE

Is there a way that an exchanger can sell relinquished property and build, or substantially improve, the replacement property? Absolutely, through the use of an Improvement or Construction Exchange.

Remember, once closing occurs and title passes to the exchanger, the exchange is over and any improvements or construction work cannot be paid for with tax-deferred funds. The way around this dilemma is through the use of an Exchange Accommodation Titleholder ("EAT"). Similar to the Reverse Exchange, a single-purpose entity such as an LLC is created by the Qualified Intermediary to function as the EAT. Its sole purpose is to hold title to the new property during the construction/improvement period. If completed within the 180-day period allowed in the exchange regulations, this type of exchange can qualify for tax deferred treatment. If the construction or improvements will take longer than 180 days, other provisions can be made to accommodate such an exchange. (See "Parking Exchange.")



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The professionals at Iowa Equity Exchange understand the complex rules of Section 1031 exchanges. We can help simplify this information for you and your clients. Section 1031 exchanges are our only business. We are members of the Federation of Exchange Accommodators, the only national association that is dedicated to the protection of the consumer in 1031 transactions. Less than 2% of all qualified intermediary service providers nationwide are members of this organization. We can creatively and strategically assist you and your clients with the sale or purchase of assets in order to maximize the tax deferral opportunities. Please contact us at your convenience.



Note: Per 1031 regulations, Iowa Equity Exchange cannot give tax and/or legal advice. Every taxpayer should review specific transactions and potential tax consequences with his or her personal tax and/or legal advisor.