

REVERSE EXCHANGE

What if there were a way that you could buy property before your relinquished property sold and still have it take place within the confines of a tax-deferred exchange? There is! It's called a reverse exchange.

The term "reverse exchange" is actually a misnomer. What actually occurs in a reverse exchange is that measures are taken to allow the postponement of a standard, Delayed Exchange.

This happens through the use of a fifth party to the exchange known as an Exchange Accommodation Titleholder. Standard, delayed exchanges require four parties: the two parties in the middle (the exchanger and the qualified intermediary), the buyer of the relinquished property, and the seller of the replacement property. The Exchange Accommodation Titleholder ("EAT") is a single-purpose entity (typically an LLC) that exists solely to hold title to either the replacement property or the relinquished property until such time as the relinquished property can be sold. This arrangement was established in **Revenue Procedure 2000-37** that established a Safe Harbor for Reverse Exchanges.



Why would anyone want to participate in a reverse exchange? Here are just a few scenarios where a reverse exchange could make sense:

- You purchase property at an auction and closing is expected within 30 days. A reverse exchange would give you the opportunity to include this new property in a 1031 exchange.
- You run into "the deal of the decade," but the seller is not willing to offer you an extended closing that would allow you to sell other property first. Again, a reverse exchange would allow you to include the new property in a tax-deferred exchange.
- You simply do not wish to confine yourself to the strict timelines required by a standard delayed exchange. You'd rather take your time shopping for new property. By relying upon the benefits of a reverse exchange, you can take all the time you need to find the perfect replacement property and still include it in your tax deferral strategy.

At **Iowa Equity Exchange**, we provide services for any type of reverse exchange. Fees for reverse exchanges are higher than our standard exchange fees due to the increase complexity, the necessity to create the new entity, and the filing requirements pertaining to that entity. Please contact us for a quote on your reverse 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.