

IDENTIFYING EXCHANGE PROPERTY

All replacement property for a 1031 exchange transaction must be identified within 45 days of the date that the relinquished property was transferred by the exchangor. The replacement property must clearly be identified in a written agreement or document signed by the exchangor before midnight of the identification period. There are several rules that the exchangor can use to identify the property that they would like to identify for their 1031 exchange. The replacement property must be identified in accordance with **one** of these rules:

Rule 1: The Three Property Rule

You may select no more than three properties; there is no price limit.

Rule 2: The 200 Percent Rule

You may select any number of properties; however, the total price of the properties must not exceed twice the price for which you sold the relinquished property.

Rule 3: The 95 Percent Rule

Any replacement property identified before the end of the identification period and received before the end of the exchange period qualifies, but only if the exchangor receives identified replacement property constituting at least 95 percent of the aggregate fair market value of all identified replacement properties.

If property is acquired by the exchangor before the end of the 45-day identification period, it is considered identified replacement property.

Best Theory: Complete exchange in 45 day period! Once 45 day ID period expires, taxpayer loses their flexibility and is at the mercy of others!

Identification Tips:

- Notify your qualified intermediary of your identification, and provide them with a copy of the identification for their records.
- For each identified property, include an unambiguous description of the property. For example, it is best to include a street address (if applicable), a legal description and an assessor's tax account number for each property.
- Do not identify property owned by a related party.
- If you plan to acquire a tenant-in-common interest, identify the fractional share of the property that will be acquired.
- If you plan to acquire improvements as a part of the exchange, you must also identify these improvements. Attach a copy of the building plans and description of the repairs/remodel to the identification letter.
- Make sure that the property identified has only one assessor's parcel number. If it has more than one, the property may be considered several properties.
- Make sure that all property identified is like-kind property.