

1031 exchanges of real property

Under Section 1031, all real property (as it is defined by state law) is considered “like-kind” with other real property of the same nature or character. The property must be held for investment or productive use in a trade or business. The following are examples of qualified “like-kind” real property exchanges:

- Raw land for rental property
- Single family rental for multi-family rental
- Retail space for motel/hotel
- Farms/ranch for golf course
- 30-year leasehold interest for fee simple interest
- Non-income producing raw land for income-producing rental property

The use of a qualified intermediary is the most common method to quickly and easily complete a valid tax-deferred exchange. As a qualified intermediary, Wells Fargo typically holds funds during the course of deferred exchanges. Facilitating a forward 1031 exchange with Wells Fargo as the qualified intermediary requires the following:

1. **You sign a contract to sell an asset(s) to the buyer.**
2. **Prior to the property closing, you retain Wells Fargo to be the qualified intermediary.**
3. **At the closing, the exchange funds are wired or a check is sent to Wells Fargo.**
4. **The taxpayer completes the Identification of Replacement Property exhibit and returns it to Wells Fargo within the first 45 days after the transfer of the relinquished property.**
5. **You have a maximum of 180 days from the transfer date of the relinquished property to acquire any and all replacement properties.**
6. **At the closing of the property to be purchased, Wells Fargo wires the exchange funds or sends a check to complete the exchange.**

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