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## **1031 Exchange Update: The resurrection of Reverse 1031 Exchanges**

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Reverse exchanges appear to be gaining traction in the current real estate market after numerous years of dormancy. The reverse exchange differs from a typical "forward moving" delayed exchange in that the exchanger takes title to their replacement property first, and thereafter sells their relinquished property. In order to properly structure a reverse exchange, the qualified intermediary forms an entity known as an Exchange Accommodation Titleholder (EAT), which is a limited liability company (LLC), to take title to the replacement property. The EAT acts as a "straw man" to hold title until the exchanger sells its relinquished property.

When the seller transfers the replacement property to the EAT's LLC a transfer tax is due and payable. Once the exchanger sells its relinquished property, the EAT transfers the membership interest in the LLC, which owns the replacement property, to the exchanger. The transfer of this membership interest does not involve a change in beneficial ownership since the EAT was merely acting as a "straw man" to structure the reverse 1031 exchange, and does not generally involve the payment of a second transfer tax.

Lisabeth Patch, JD joins Legal 1031 Exchange Services, Inc. as Senior Exchange Specialist

Legal 1031 Exchange Services, Inc. is pleased to announce that Elisabeth Patch, JD has joined the firm as a senior exchange specialist. Patch brings a wealth of experience to the Legal 1031 team based on the many years she has spent helping 1031 clients and their advisors structure their exchange transactions. She is a graduate of Immaculate University, with a BA in Economics and Business Administration and MBA in International Marketing, and a graduate of Dickinson School of Law of the Pennsylvania State University with a Juris Doctorate. Based in Boyertown, Pennsylvania, Elisabeth will be responsible for the Pennsylvania and New Jersey regional marketplaces.

Upcoming CLE/ CE Dates:

Melville, NY 3/26/2015

Queens, NY 3/31/2015

Cherry Hill, NJ 4/21/2015

Hoboken, NJ 4/22/2015

Toms River, NJ 4/28/2015

For more details to REGISTER, go to: [legal-1031.eventbrite.com](http://legal-1031.eventbrite.com)

About Legal 1031

Exchange Services, Inc.

Whether seeking to redeploy assets, diversify or consolidate one's holdings, or even simply reduce management responsibilities, prudent investors will seek to change up their investments in a tax efficient manner. A 1031 exchange continues to be one of the best tools to accomplish such goals.

Legal 1031 Exchange Services, Inc., a qualified intermediary with offices in Connecticut, New York, Pennsylvania, Massachusetts and Florida, will prepare the paperwork necessary to structure the transaction as an exchange and also act as the independent third party to hold the exchange proceeds. Call us at (877) 628-1031 to discuss how we can help you and your clients.

Matthew Scheriff, CPA, CES is executive vice president of Legal 1031 Exchange Services, Inc., New York, NY.

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