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## **Five ways to ruin a section 1031 like-kind exchange - by Bill Lopriore**

December 04, 2020 - Front Section



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1031 Exchange

While there is some flexibility when structuring a like-kind exchange, some important requirements must be met. A mistake can ruin your exchange. Here's what not to do:

1. Miss the 45-Day Identification Deadline: Upon closing on relinquished property, you have 45 days to identify in writing what you intend to acquire in the exchange.
2. Fail to Clearly Identify What You Are Going to Buy: Potential replacement property must be described unambiguously, which generally means a legal description or street address and, for a tenancy-in-common interest, the percentage interest you will be acquiring.
3. Miss the 180-Day Deadline: You must acquire (close or transfer) all replacement property(ies) by the 180th day. But, if closing occurs towards the end of a tax year, you must complete your 1031 exchange before filing your income tax return, or request an extension.
4. Close Before You Sign Exchange Documents: At or before the relinquished property closing, the taxpayer must sign an Exchange Agreement and Assignment Agreement, and the taxpayer must notify all contract parties in writing of the assignment to a qualified intermediary.
5. Taking Possession of Your Exchange Funds: The taxpayer cannot have possession, or control, of relinquished sale proceeds. Upon closing, funds are transferred directly to the qualified intermediary exchange account.

Paying attention to these important issues will eliminate most reasons that exchanges can fail.

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