TAX DEFERRED EXCHANGE

TAKE ADVANTAGE OF THIS POWERFUL TAX PLANNING STRATEGY WITH PROFESSIONAL GUIDANCE FROM HOMESTAR TRUST SERVICES

A tax deferred exchange of real estate allows an owner of business or investment property to trade property without paying tax on the gain from the transaction. In order to qualify for this under Internal Revenue Code Section 1031, the exchange must meet these conditions:

- Both properties in the exchange must be investment or business properties.
- The properties must be of "like kind".
- The transaction must be structured as an exchange of property rather than a sale for cash and reinvestment.
- The owner must identify a limited number of potential replacement properties within 45 days of closing on the current property.
- The new property must be acquired within 180 days of the closing date or by the due date of the owner's tax return, whichever comes first.

WHY TAX DEFERRED EXCHANGE?

People often consider a tax deferred exchange to take advantage of the tax deferral benefits that they will receive and/or as an estate planning tool.

We often help clients perform a tax deferred exchange for non-tax goals, such as:

- property that is not cash flowing;
- property that is fully depreciated;
- property that is owned free and clear;
- investment property that may be left to an heir.

HOW HOMESTAR CAN HELP

A tax deferred exchange requires the assistance of a qualified intermediary. HomeStar Deferred Exchange Corporation can ensure that your exchange is properly structured to achieve your financial goals and comply with the law. Call or visit our office to learn more.

HomeStar
Deferred Exchange Corporation

222 N. Industrial Drive • Bradley, IL 60915
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FREQUENTLY ASKED QUESTIONS

Why is the tax deferred exchange a popular financial planning tool?
If done correctly, investors defer tax due in connection with the sale of real or personal property, enabling them to access their equity to consolidate, diversify, leverage or relocate their investments.

What does "like kind" mean?
Both the current and replacement properties must be investment real estate. For example, raw land, farmland, apartment buildings and commercial real estate are considered "like kind" and may be exchanged with one another.

What if I want to keep some money from the closing for personal use?
You can take funds from the closing prior to depositing into the exchange trust. The funds not placed in the exchange trust will be subject to capital gains tax.

What if my old and new properties are in different states? Can I still do a tax deferred exchange?
Yes, investment properties from different states can be exchanged. Due to state specific laws regulating the activities of qualified intermediaries, HomeStar Deferred Exchange Corporation will not act as a Qualified Intermediary for relinquished or replacement properties located in the following states: California, Colorado, Connecticut, Idaho, Maine, Minnesota, Nevada, Oregon, Virginia and Washington.

If I own a property with another investor, can I exchange my equity if the other investor does not want to?
Yes. You would want to clearly allocate each investor's interest in the property before you sell. We encourage you to consult with legal counsel on this matter.

Will I earn interest on my money while it is in the 1031 exchange trust?
Yes, your closing proceeds will be invested in a money market fund. Interest is credited to your account monthly.

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