

1031 Exchanges Identification Rules

The taxpayer has 45 days from the closing of their Relinquish Property to identify Replacement Property. Proper Identification is a requirement for a valid exchange. Although a taxpayer can identify **more than one Replacement Property**, they must **adhere to one of the three rules of identification**:

3-Property ID Rule: May identify one, two, or up to three Replacement Properties with the intent of purchasing at least one.

200-Percent (200%) ID Rule: If the taxpayer identifies more than three properties, the total fair market value of all identified properties cannot exceed 200% of the gross selling price of the Relinquish Property.

95-Percent (95%) ID Rule: If the taxpayer identified more than three Replacement Properties and the value exceeds the 200% rule. The taxpayer needs to acquire at least **95% of the value** of all the properties listed.



REQUIREMENTS FOR IDENTIFYING REPLACEMENT PROPERTIES

The identification must meet the following requirements:

- Identification must be made in a written document signed by the taxpayer.
- The identification must be hand-delivered, mailed, telecopied, or otherwise sent before the end of the identification period.
- The identification must be sent to either the person obligated to transfer the Replacement Property to the taxpayer (generally the qualified intermediary) or any other person involved in the exchange other than the taxpayer or a disqualified person.
- Each potential Replacement Property must be unambiguously described (i.e., legal description, street address, or distinguishable name).

A taxpayer who intends to acquire less than a 100% ownership interest in a Replacement Property should indicate the specific percentage or specific amount of the interest they intend to acquire. Taxpayers should always consult with their tax and/or legal advisors about the specific identification rules and restrictions.

Revoke & Replace: A taxpayer has the ability to revoke and replace (substitute) a new Replacement Property or Properties by revoking a previous identification in the same manner as originally identified and identifying new Replacement Properties, in writing and received by their Qualified Intermediary within the 45-day identification period.

Any Replacement Properties actually **received by the taxpayer** before the end of the 45-day identification period are considered properly identified and **count as property** for the purposes of the 3 Property or 200% ID Rules.