

Why Use 1031 Exchange Connection?

We offer expert personalized consulting at no extra cost by licensed CPA's and Attorneys.

- Our strategies are focused to the client's individual needs.
- Distinct expertise: Knowledge of every facet of the 1031 exchange.
- We're an independent agent for Wachovia Exchange Services, a large, nationally recognized QI for your financial security, reliability and peace of mind.
- Provide investors with guidance through the entire exchange process.
- Registered Representative for Welton Street Investments LLC providing access to institutional and commercial grade replacement properties nationwide.
- Provide interactive 1031 Educational Seminars to professionals and investor groups.

"How do I choose the right professional to handle my exchange?"

We recognize each investor has their own real estate investment objectives and the information contained herein is not meant to be all inclusive. Please feel free to contact us anytime to discuss your specific needs. We are committed to providing excellent customer service and all our consultations are free of charge.



Great Service Isn't The Exception; It's The Rule...

Here's What Our Clients are Saying:

Rosa Scola, CPA, MS says....Nace Cohen, CPA has been a great source of reference for my clients who are considering a 1031 exchange. Every time I go to one of Nace's educational seminars, I learn something new. It's great to have someone in the local area who we as CPA's can turn to and get the right answer. *Rosa Scola, CPA, MS - Naples, FL, 239-394-5567.*

Tammi Vance, PA says....Your class was outstanding! Thanks for the great information. I have helped clients in many 1031 exchanges and look forward to utilizing your services at the next opportunity. You're really great at what you do. *Tammi Vance, PA, e-Pro, Re/MAX Results Realty, Marco Island, FL . Direct 239-389-3104.*

Neal Hamel says....Nace Cohen, CPA saved me \$3,000 in therapy fees! Real Estate transactions can be very stressful as was the case in my 1031 exchange, but with Nace's assistance he made the whole process seamless and easy to understand. All the other parties involved in my transaction were difficult and the deal almost fell apart, but Nace was positive and knew so much about the exchange process and structuring that, with his expert guidance, the transaction closed on time and with excellent results. I highly recommend him to anyone considering a 1031 exchange. *Neal Hamel, Miami, FL..*



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Professional Consulting With A Personal Touch



Why Use Nace Cohen, CPA Of 1031 Exchange Connection?

Nace Cohen, CPA, is the President of 1031 Exchange Connection, and a specialist in Real Estate Taxation and 1031 Exchanges. A Florida CPA since 1983 and a University of Florida Accounting graduate, Nace has worked with some of the most prominent firms in the real estate industry and quickly developed specialized skills in the field of real estate taxation and consulting. He has developed and taught numerous educational seminars on 1031 exchanges and is a recognized expert on complicated exchanges. Nace lectures throughout the State of Florida and is a faculty member of the Florida Association of Realtors, providing exchange consulting to the real estate, investment and professional communities.

1031 Exchange Connection is a team of CPA's and Attorneys providing consulting and tax planning services for 1031 tax deferred exchanges. Most 1031 firms only handle the exchange transaction and do not have CPA's on staff to provide adequate consulting. Our mission is to educate and assist real estate investors in deferring capital gains taxes on real estate transactions while simplifying the 1031 exchange process. In addition, we develop personalized tax savings strategies unique to each client, incorporating real estate tax planning into a client's overall financial wealth building plan. We want our clients to understand the tax deferral nature of a 1031 exchange is just the beginning of the process. Successful real estate tax planning addresses not only the current exchange, but how to eliminate the deferral in the future and keep what you made.



Nace Cohen, CPA and 1031 Exchange Connection are experienced with exchanges throughout the United States. It is common for investors to exchange property anywhere in the U.S. and its territories. Many investors want to relocate their investment property to the region where they plan to retire. We work closely with your Realtor, Bank, Title Company, and Attorney to ensure your exchange progresses smoothly.

Excellent customer service is what we pride ourselves on and keeps our clients coming back. They are astounded by the level of service and tax counsel they receive and gladly refer us to their friends, colleagues and neighbors seeking the same advice and service. We are consistently complimented on our friendly service, easy to understand explanations, amazing tax strategies and overall professional service.

What is a 1031 Exchange?

A 1031 Exchange is simply a method by which a property owner trades one property for another without having to pay federal and state income taxes. Ordinarily, the owner is taxed on gain realized by the sale of the old property, but in an exchange the tax is *deferred* until some time in the future.

Are 1031 Tax Deferred Exchanges Authorized?

Tax deferred exchanges are authorized by Section 1031 of the Internal Revenue Code. The requirements of 1031 and related code sections must be carefully met, but when done properly, the entire tax due on the sale can be deferred. It is important to remember the tax is not eliminated, it is only deferred, meaning you will have to address the issue some time in the future, usually when the new property is sold. It is imperative to seek the advice of a CPA well versed in real estate taxation before considering a 1031 exchange transaction.



“What about my particular situation?”



How can a 1031 Exchange benefit me?

The main benefit of a 1031 Exchange is the deferral of taxes. The tax that otherwise would have been paid gets reinvested as equity into the new property, a wealth building technique. Other benefits include:

- Greater leverage capability to buy more property.
- Change, consolidate or diversify your investments by asset class or geographic location.
- Improve cash flow, for example exchanging from bare land into income producing property.
- Replace fully depreciated assets into new property to restore basis and future depreciation expense.
- Elimination of day to day management obligations.
- Incorporate estate planning strategies with family members by balancing estate values among them.
- Under a new IRS ruling and proper 1031 planning, you can even exchange into a property that can one day be your principal residence, and eliminate the tax entirely!

The 6 IRS Rules for a 1031 Exchange...

Straight or Forward Exchanges involve selling the old property first and then buying the new property. When conducting a forward exchange, you must follow these 6 simple rules:

1. **Real Property Use** - Both your old and new properties must qualify as held for investment or income producing. If both properties pass this test, you can exchange nearly any type of real estate.



“Do vacation homes qualify for a 1031 exchange?”

2. **45 Day Identification Period** - You have 45 calendar days from the closing of your sale to list the properties you may want to buy. You can list up to 3 with no restrictions, over 3 there are IRS rules that need to be followed to the letter.
3. **180 Day Exchange Closing Period** - From the sale closing date, you have 180 calendar days to close on the purchase of one or more properties from the 45 day list. There are no exceptions to either the 45 Day Identification Period or the 180 Day Closing Period deadlines.
4. **Qualified Intermediary (QI)** - The IRS mandates that you use a QI to prepare the legal documents for your exchange. The QI must be an independent third party, and cannot be your friend, employee, broker, or even your CPA or Attorney. The QI also holds your money so you don't have access to it.
5. **Proper Title Holding** - You must purchase and take title to your new property exactly as you held title to your old property.
6. **Reinvestment Requirement** - To defer all of your capital gains tax, you must buy a property equal or higher in value than the one you sold.



Also, you must reinvest **all** of the cash proceeds from your sale.



Reverse Exchanges

Typical exchanges are forward in nature and dictate selling the old property first before buying the new one. Unlike a forward exchange, you may be in a situation where you want or need to buy the new property before you've sold the old one. The problem is the IRS will not allow you to hold title to both the old and new properties at the same time.

The Reverse Exchange allows you to conduct the exchange in the reverse order, yet still enjoy the tax benefits. In a reverse exchange, your QI arranges to buy the new property for you and holds it for a period of time.

“Is it okay to buy the new property first?”



There are several reasons to consider the reverse exchange:

- Market conditions are making it difficult to find a buyer for your old property, and the new one you want is priced to sell.
- You need to buy the new property now, but desire more time to sell the old one to get the “right price”.
- You want to make improvements to the new property, or construct a new building on raw land.
- You face the possibility of losing your deposit or favorable financing rates.

In these circumstances, the reverse exchange provides you with the flexibility, leverage and buying power while preserving your equity through a tax deferral.

The IRS Position on Reverse Exchanges

In 2000, the IRS issued Revenue Procedure 2000-37, known as a “Safe Harbor Reverse”, a ruling that gives taxpayers guidance on how to safely conduct the reverse exchange. These guidelines are precise, require specific documentation and must be completed within 180 days.

If your situation is such that the reverse may fall outside the 180 days, such as in construction projects, then Traditional Reverse Exchanges (non-safe harbor) have helped clients in these situations for many years.

While Safe Harbor and Traditional reverse exchanges are similar, there are unique considerations and procedures for each. Working with our CPA's and Attorneys to structure your reverse exchange will give you the confidence and assurance to meet your needs and stand up to IRS scrutiny.

Tenant In Common Transactions



“How can I be part owner of 1031 property?”

It is often difficult in the short 45 day time frame to locate property that has the right purchase price, financing and closing schedule to meet the 1031 exchange deadline. As an alternative, you may want to consider a Tenant In Common (TIC) real estate investment.

TIC ownership qualifies as replacement property for 1031 exchanges. They are a form of holding title to an undivided fractional interest in real property. They provide investors with access to larger, institutional grade properties that have a number of advantages, such as:

- Flexible investment size to match your needs
- Elimination of day to day property management
- Monthly or quarterly tax sheltered cash flow
- Pre-arranged financing in place
- Diversification by geographic location and asset class
- Preservation of equity and wealth by 1031 tax deferral

Nace Cohen, CPA is a registered representative for Welton Street Investments LLC, a broker dealer in TIC Investments. Welton Street's team of qualified professionals focus solely on evaluating real estate investment offerings presented by various approved real estate companies (sponsors) throughout the United States. Together, our goal is to provide 1031 exchange investors access to high quality investment options offered by qualified sponsors. Each sponsor and their respective investment offering must pass Welton Street's rigorous due diligence process before offering them to our clients.

As with any real estate investment, there is risk in TIC investments. Investors should carefully review offering materials related to a TIC investment as those materials will contain important risk disclosures and specific information about the property.



To learn more about TIC's, give us a call and we'll fill you in on all the details.

“Securities offered through Welton Street Investments LLC, member FINRA / SIPC.”