

Simultaneous Exchanges

Information provided by:
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Professional resources for Investors, Closers, Realtors, CPAs and Attorneys.

Simultaneous exchanges are the oldest method of performing an IRC Section 1031 tax deferred exchange. There are three ways to perform a simultaneous exchange:

1. Two-Party Trade (swap): Two parties trade (swap) deeds with each other.

Pro: No need for a Qualified Intermediary (“QI”).

Con: Finding another party that wishes to “swap” properties with exactly the same debt and equity levels. No cash proceeds can be involved in a “swap”. Limited documentation to support an exchange.

2. Three-Party Exchange: An “accommodating party” must be used in this form of exchanging.

Pro: No need for a Qualified Intermediary (“QI”).

Con: “Accommodating Party” actually take title to a property they don’t own. Thus placing them in the chain of title, exposing the “accommodating party” to any issue associated with the property (i.e. environmental, liability issues). Limited documentation to support an exchange.

3. Simultaneous thru a “QI”: A “QI” is used with this type of exchange.

Pro: Use of a “safe harbor” for the simultaneous exchange by using a “QI”. The “QI” provides written instruction, exchange agreement and assignment agreement to all parties involved. The use of a “safe harbor” provide the insulation needed to protect against “constructive receipt”.

Con: Nominal cost for the “QI” services.

Due Diligence: As with every exchange transaction, each should be reviewed on a case-by-case basis. The taxpayer is strongly encouraged to consult with their tax and/or legal counsel in addition to a Granite Exchange Consultant at 877-937-1031.

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