1031 ExchangePlan

BY QUBERA WEALTH MANAGEMENT

Before You Sign

The checklist for anyone selling an investment property. Most of what determines your tax bill is decided **before** escrow closes — and cannot be fixed afterward.

THE ONE THING WITH NO REMEDY

A 1031 exchange must be set up **before your sale closes**. If the proceeds reach you or your attorney's trust account — even for a day — the exchange is legally impossible. No amendment, no accountant, and no attorney can undo it. Everything else on this list is fixable. This is not.

Phase 1 · Before you accept an offer

The cheapest time to make every decision on this list.

- [ ] **Pull your depreciation schedule**
  Form 4562, or your CPA's schedule. This single number drives your tax bill more than the sale price does — and you owe recapture whether or not you ever claimed the deduction.
- [ ] **Estimate the total tax**
  Federal capital gains, plus depreciation recapture at up to 25%, plus the 3.8% net investment income tax, plus state. On a long-held rental this commonly runs 22–37% of the sale price.
- [ ] **Decide whether you actually want an exchange** BE HONEST
  Small gain? Need the cash? Elderly with a manageable property? Large suspended passive losses? Paying the tax may genuinely be the better answer.
- [ ] **Confirm the vesting will match**
  Whoever sells must be whoever buys. Multi-owner property needs a drop-and-swap arranged a year ahead, not during escrow.
- [ ] **Start looking at replacement property now**
  Nothing stops you searching before you sell. Almost all the panic in a 1031 comes from starting on day 1 instead of day minus 60.

Phase 2 · Between offer and closing

Usually two to six weeks. This is where exchanges are won or lost.

- [ ] **Engage a qualified intermediary** CRITICAL
  Takes one to two business days. Cannot be your CPA, attorney, real estate agent, employee, or a relative — anyone who has been your agent within the past two years is disqualified. Add exchange cooperation language to the purchase agreement at the same time.

- [ ] **Confirm in writing where escrow will wire the funds**
  To the intermediary. Never to you. Get this in writing from the escrow officer before the closing date.

- [ ] **File your state's withholding exemption form**
  California Form 593 · Oregon Form OR-18-WC · New York Form IT-2663 box 4B · New Jersey Form GIT/REP-3 box 7. Late means money withheld and a refund claim months later.

- [ ] **Vet the intermediary properly**
  There is no federal licensing for this role, and no capital requirement. Use the questions on the last page.

- [ ] **Commercial property in New Jersey? Raise the Bulk Sales Act**
  Form C-9600 is due 10 business days before closing, and a Division escrow can strand your exchange proceeds.

After closing: the clock is running

Both deadlines start the day your sale closes and run **at the same time**. On day 45 you have 135 days left, not 180.

Day 0	Day 45	Day 180
Sale closes. Write the date here.	Written identification due by midnight.	Purchase must be complete.

Phase 3 · The 45 days

Calendar days. Weekends and holidays count. No extensions except federally declared disasters.

- [ ] **Calendar both dates the same afternoon you close**
  Give them to your CPA and your advisor the same week.

- [ ] **Write down your two dollar targets**
  Replacement value must be at least your net sale price. Debt retired at the sale must be replaced with new debt or your own cash — or the shortfall is taxable boot.

- [ ] **Use all three identification slots** MOST MISSED
  Naming one property means a failed inspection on day 145 costs you the entire tax bill. There is no way to add to the list after day 45.

- [ ] **Make at least one identification a DST**
  A Delaware Statutory Trust closes in two to five business days because the property is already owned. It is the only replacement you can execute on day 175 with confidence.

- [ ] **Identify unambiguously, in writing, signed**
  Street address or legal description. For a DST, the exact trust name plus the dollar amount. "A multifamily property in Phoenix" is not an identification.

Phase 4 · Through day 180, and after

- [ ] **Sold late in the year? File a return extension**
  Your exchange period ends on the earlier of day 180 or your tax return due date. An October sale loses roughly 30 days without an extension.

- [ ] **Pivot to a backup early if the primary deal wobbles**
  Day 150, not day 175. Never let the deadline choose the investment — losing principal is worse than paying tax.

- [ ] **File IRS Form 8824**
  With your federal return for the year of the sale.

- [ ] **Set a permanent reminder for your state's annual filing** FOREVER
  Exchanged California property out of state? FTB Form 3840, every year until the gain is recognized. Oregon? Form OR-24. Both continue even after you move away, and non-filing lets the state estimate your gain and assess.

Not sure where you stand?

A free 30-minute call with a fee-only fiduciary. We will tell you what the tax would be and whether an exchange is worth it — including when it is not.

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Choosing a qualified intermediary

This company will hold every dollar from your sale for up to six months. In most states, nobody licenses them.

ASK EVERY ONE OF THESE

- Are my funds held in a **segregated** escrow or trust account, or pooled with other clients?
- Which bank holds it, and is the account in my name?
- Does moving my money require **my signature** as well as yours?
- What is your fidelity bond amount? Your E&O coverage?
- Where are exchange funds invested while you hold them?
- What is the total fee, including per-property charges?
- **Who keeps the interest?**

WALK AWAY IF

- They are **vague** about where the money sits
- The fee is far below market — they may be monetizing your float
- They also want to sell you the replacement property
- There is no bond, or no E&O coverage
- They will not provide **CPA or attorney references**
- Anyone is pressuring you toward one specific offering on a deadline

INHERITED THE PROPERTY? READ THIS BEFORE ANYTHING ELSE.

Inherited property generally receives a basis **stepped up to its value on the date of death**, which often means there is little or no taxable gain to defer. **Get the date-of-death appraisal first.** If the tax is near zero you do not need an exchange — and you should be skeptical of anyone who recommends one before asking what that value was.

State traps

The items no general 1031 guide will mention.

STATE	WHAT CATCHES PEOPLE
California	Form 593 before close, or 3⅓% of the sale price is withheld. Clawback plus FTB Form 3840 **every year, indefinitely** if you exchange out of state. Your Prop 13 basis does not transfer.
Oregon	Up to **13.9%** combined state and Portland local, and the local taxes reach nonresidents. Form OR-24 annually, indefinitely. OR-18-WC at closing, or 4% of the price is withheld.
New York	Transfer taxes are **never** deferred and you pay on both legs — over 3% on NYC commercial. IT-2663 box 4B, or the county will not record the deed.

STATE	WHAT CATCHES PEOPLE
New Jersey	GIT/REP-3 boxes 7a and 7b. The mansion tax is now **seller-paid and graduated**, and they are cliff rates applied to the full price.
Washington	No state income tax to defer, and real estate is **exempt** from the capital gains excise tax. But REET of 1.1–3% plus local is due on the sale regardless.

Have you signed anything yet?

If your sale has not closed, every option is still open. Book a free 30-minute call — no pressure, no commission, no obligation.

Book a call
1031ExchangePlan.com