SKB Real Estate 1031 Exchange Timeline Checklist

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How to use this checklist

A 1031 exchange lets an investor defer capital gains tax when selling investment property and reinvesting in another. The rules are strict and the deadlines are unforgiving. This checklist walks you through the sequence so you know what has to happen, and when.

Important: This is an educational overview, not tax advice. Talk to a CPA or tax advisor and a qualified intermediary **before** you list or close on your property.

The two deadlines that matter most

Both clocks start the day after you close on the property you're selling (the "relinquished property").

Deadline	What it means
45 days	You must identify potential replacement properties in writing
180 days	You must close on the replacement property (or by your tax return due date, including extensions, if that comes first)

These deadlines generally don't move for weekends or holidays, and the two periods run at the same time. Day 45 is not a reset. Day 180 counts from the same starting point.

Phase 1: Before you list or sell

- □ Confirm the property you're selling was **held for investment or business use**, not as a primary residence or inventory held for resale
- □ Meet with your **CPA or tax advisor** to confirm a 1031 exchange fits your situation
- □ Choose and engage a **qualified intermediary (QI)** before closing. This step is critical.
- □ Ask your QI how they **hold funds**, what protections they offer, and what they charge
- □ Include **1031 exchange cooperation language** in your sale contract, as advised by your attorney
- □ Estimate your **net equity and debt** so you know what you'll need to reinvest
- □ Begin **researching replacement properties** now, since 45 days goes fast

Phase 2: Closing on the property you're selling (Day 0)

- □ Make sure sale proceeds go **directly to your QI**, not to you
- □ Do not take **actual or constructive receipt** of the funds, even briefly
- □ Confirm the closing documents reflect the exchange
- □ Write down your **closing date** and calculate both deadlines immediately

Your key dates

Item	Date
Closing date (Day 0)	
45-day identification deadline	
180-day closing deadline	

Phase 3: Days 1 to 45, identify replacement properties

- □ Identify properties **in writing**, signed by you, and delivered to your QI or another permitted party before the deadline
- □ Describe each property clearly (a street address or legal description)
- □ Follow one of the identification rules your advisor confirms. Common ones include:
    - **Three-property rule:** identify up to three properties of any value
    - **200% rule:** identify any number of properties, as long as their combined value doesn't exceed 200% of the value of the property you sold
    - **95% rule:** identify more than that, but you must then acquire 95% of the value identified
- □ Have **backup options** in case your first choice falls through
- □ Begin due diligence and financing on your top choices right away
- □ Submit your identification **before** the deadline, not on it

Phase 4: Days 46 to 180, close on the replacement property

- □ Close on one or more of the **properties you identified**. You generally can't buy something you didn't identify.
- □ Make sure the replacement property is **like-kind**. In general, real property held for investment or business use qualifies, but confirm with your advisor.
- □ Use the **same taxpayer** on both sides. Title should generally match how you held the property you sold.
- □ Have your QI wire exchange funds directly to the closing
- □ Confirm the exchange is **properly documented** at closing

The rules that determine how much tax you defer

To defer the **full** gain, a common guideline is:

- □ Buy replacement property of **equal or greater value** than what you sold
- □ Reinvest **all net equity** from the sale
- □ Replace the **debt** you paid off, or add cash to make up the difference

Anything you take out of the exchange, whether cash or reduced debt, may be considered **"boot"** and could be taxable. Ask your CPA how boot affects your numbers.

Common mistakes to avoid

- □ **Waiting to hire a QI** until after closing, which can be too late
- □ **Touching the sale proceeds**, even temporarily
- □ **Missing the 45-day deadline** because you didn't have properties lined up
- □ **Identifying too few options**, then losing a deal and having no backup
- □ **Mismatched ownership** between the sold and purchased properties
- □ **Assuming the rules are flexible**. Deadlines are strict.
- □ **Skipping professional advice** on related-party transactions, partnerships, or complex structures

After closing

- □ Keep **complete records** of the entire exchange
- □ Work with your CPA to **report the exchange** on your tax return, which generally involves a specific IRS form
- □ Track your **new tax basis** in the replacement property

Questions to ask your advisors

- Does my property and my situation qualify for a 1031 exchange?
- How will boot, debt changes, and any cash I take out affect my taxes?
- What identification rule makes the most sense for my goals?
- How is my qualified intermediary protecting my funds?
- Are there state-specific rules or taxes I should know about?

Want help finding replacement properties?

The 45-day window is where many investors feel the squeeze. If you're considering an exchange, I'm happy to help you build a target list early so you're not scrambling.

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This checklist is for general educational purposes only and is not legal, tax, or financial advice. 1031 exchange rules are complex, and requirements vary by situation and jurisdiction. Consult a qualified CPA, tax advisor, attorney, and qualified intermediary before making decisions.