

# THE ROLE OF THE QUALIFIED INTERMEDIARY

The use of a Qualified Intermediary is essential to completing an IRC §1031 Tax Deferred Exchange. Investment Property Exchange Services, Inc., as a Qualified Intermediary, performs several vital functions in an exchange.

## **Creates the Exchange of Properties**

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The IRS stipulates that a reciprocal trade or actual exchange must take place in each IRC §1031 transaction. This means the Exchanger must assign to a Qualified Intermediary (1) their interest as seller of the relinquished property and (2) their interest as buyer of the replacement property. By becoming an actual principal in the transaction, a reciprocal trade is created, even when there are three or more parties involved in an exchange transaction (i.e. when the Exchanger is purchasing the replacement property from someone other than the buyer of their relinquished property).

## **Holds Exchange Proceeds**

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If the Exchanger actually or constructively receives any of the proceeds from the sale of their relinquished property, those proceeds will be taxable as boot. Investment Property Exchange Services, Inc. will hold the proceeds from the sale in a separate exchange account until the funds are used to purchase the replacement property. All exchange proceeds held by Investment Property Exchange Services, Inc. are covered by a written guarantee and \$50 million in fidelity bond insurance coverage.

## **Prepares Legal Documentation**

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Several legal documents are necessary in order to properly complete an exchange. The Qualified Intermediary will prepare an Exchange Agreement, Assignment Agreements and Exchange Closing Instructions for each settlement officer for the transaction.

## **Provides Quality Service**

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Although the process of an IRC §1031 exchange is relatively simple, the rules are complicated and filled with potential pitfalls. Investment Property Exchange Services, Inc. has developed a reputation as the industry leader because of our unyielding commitment to our clients. We work closely with all parties involved to ensure a smooth transaction.

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### Brief Exchange Communications

*Investment Property Exchange Services, Inc. cannot provide advice regarding specific tax consequences. Investors considering an IRC §1031 tax deferred exchange should seek the counsel of their accountant and attorney to obtain professional and legal advice.* © 2002 Investment Property Exchange Services, Inc.