
THE ROLE OF THE QUALIFIED INTERMEDIARY

The use of a Qualified Intermediary is essential to completing a successful IRC §1031 tax deferred exchange. Investment Property Exchange Services, Inc., (IPX1031) as a professional Qualified Intermediary, performs several vital functions in an exchange.

Creates the Exchange of Properties

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

Holds Exchange Proceeds

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. IPX1031, as the Qualified Intermediary, will hold the proceeds from the sale in a separate exchange account until the funds are used to purchase the Exchanger's replacement property. All exchange proceeds held by IPX1031 are covered by a written guarantee and \$100 million in fidelity bond insurance coverage.

Prepares Legal Documentation

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 handling the transaction.

Provides Quality Service

Although the process of completing an exchange is relatively simple, the rules are complicated and filled with potential pitfalls. IPX1031 has developed a reputation as the industry leader due to our substantial exchange experience and our unyielding commitment to our clients. We work closely with all parties involved to ensure a smooth transaction.