

IMPROVEMENT EXCHANGE

Information provided by:
Granite Exchange Services, Inc.
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Professional resources for Investors, Closers, Realtors, CPAs and Attorneys.

Specializing in:

Delayed
Simultaneous
Reverse
Improvement
Multi-property

Improvement Exchange

The improvement exchange enables a taxpayer to make capital improvements to a new replacement property using exchange proceeds. Also known as a “construction” or “build-to-suit” exchange, an exchanger using a Qualified Intermediary may tailor an identified replacement property to their specific needs and value.

Logistics

Like a standard delayed exchange, an improvement exchange begins with the sale of the Exchanger's relinquished property. The Exchanger will enter into a “Qualified Exchange Accommodation Agreement” (QEAA) preceding the acquisition of the identified replacement property. At closing, the Qualified Intermediary will assign an “Exchange Accommodation Titleholder” (EAT) to take legal title to said replacement property and act as the Holding Entity. Remaining exchange proceeds may then be distributed to complete identified improvements to the property. Exchangers initiate exchange fund disbursements by submitting construction invoices to the Holding Entity. At the end of the 180-day exchange period or at completion of the identified improvements (which ever is prior), the EAT will transfer the replacement property to the Exchanger, thus allowing the taxpayer to acquire a replacement property at the improved value.

Timeline

Rev. Proc. 2000-37, establishes that an improvement exchange adhere to delayed exchange time requirements. Both deadlines begin with the closing of the Exchanger's relinquished property:



45 Day Identification: An Exchanger must identify his/her intended replacement property; as well as a list of all proposed improvements.

180 Day Completion: Exchanger must attain title to the improved property from the EAT by day 180. The improved property transferred must be “substantially the same property as identified.”

Benefits

The improvement exchange creates an opportunity for taxpayer's to have a replacement property which is not readily available on the open market. An Exchanger can create their ideal replacement property without facing any adverse taxable consequences!

Plan Ahead!

Improvement exchanges are significantly more complex and difficult to complete than a delayed exchange. Replacement property lender requirements, construction delays and exchange deadlines are potential hazards that if not carefully planned may create a taxable event. It is essential that Exchangers obtain legal and tax counsel in planning an improvement exchange.

As with any exchange transaction, the investor is encouraged to contact a Granite Exchange Consultant at 877-937-1031 to discuss their specific situation.



**GRANITE
EXCHANGE
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