

WHAT IS A QUALIFIED INTERMEDIARY

"UNDERSTANDING THE ROLE OF A Q.I."



Compliments of

WHAT IS A QUALIFIED INTERMEDIARY?

In most circumstances, the use of a "Qualified Intermediary" is required to successfully complete an IRC Section 1031 tax deferred exchange. Treasury Regulation §1031.1031(k)-1(g)(4)(iii) refers to the entity that facilitates an exchange as a "Qualified Intermediary" (sometimes referred to as an accommodator or facilitator), which it defines as follows:

- 1) *A Qualified Intermediary ("QI") is a person who:*
- 2) *Is not the taxpayer or a disqualified person;*

Enters into a written agreement with the taxpayer (the "Exchange Agreement") under which the QI:

- *Acquires the relinquished property from the taxpayer;*
 - *Transfers the relinquished property;*
 - *Acquires the replacement property;*
 - *Transfers the replacement property to the taxpayer.*
- 3) *The Exchange Agreement must expressly limit the taxpayer's rights to receive, pledge, borrow, or otherwise obtain benefits of money or other property held by the QI. (See Treasury Regulations §1031.1031(k)-1(g)(4)(i).)*

The use of an experienced QI can significantly reduce the complexity of an exchange by assuring the proper execution of required documentation. The QI industry is not regulated nationally. Consequently, the careful selection of the QI is essential to ensure the highest levels of expertise and security of funds.

Asset Preservation, Inc. (API) provides Qualified Intermediary services in conformity with the Internal Revenue Code and Treasury Regulations. API:

- Coordinates with each taxpayer's attorney and/or tax advisor, forwards exchange transaction documentation as needed so that the IRC §1031 rules and regulations are thoroughly understood;
- Prepares the necessary exchange documentation - Exchange Agreement, Assignment Agreement (s), Notice of Assignment (s), Qualified Exchange Account Form, Security of Funds Instrument and instructions to each Closing Officer and oversees each closing to assist in proper §1031 procedures;
- Facilitates the sale of the relinquished property and the purchase of the replacement property;
- Holds and protects exchange proceeds on behalf of the Exchanger until funds are needed to purchase the replacement property;
- Provides guidance, information and critical timelines throughout the entire exchange.



ASSET PRESERVATION
INCORPORATED

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