



*The Voice of the 1031 Industry*

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## ***Role of the Qualified Intermediary***

The Treasury Regulations provide rules and a safe harbor for taxpayers engaging in non-simultaneous exchanges under IRC §1031 (“§1031”) that involve different buyers and sellers. In these delayed, multiparty exchanges (which constitute the majority of like-kind exchanges), the taxpayer is prohibited from having receipt of or control over the sale proceeds (“exchange funds”) from the relinquished property prior to receiving replacement property, or termination of the exchange.

The Qualified Intermediary (“QI”) is the independent third party that receives the exchange funds from the relinquished property buyer, holds and safeguards the funds for the benefit of the taxpayer, and then disburses the funds to the seller of the replacement property. Although a QI occasionally takes title to the exchanged properties, typically the QI is only assigned into the chain of contracts, and the safe harbor treats the transaction, for tax purposes, as if the exchange occurs between the QI and the taxpayer. Agents, such as the taxpayer’s attorney, accountant, broker or employee, and parties related to the taxpayer, are disqualified from acting as a Qualified Intermediary.

- Professional Qualified Intermediaries facilitate §1031 like-kind exchanges by creating and providing necessary documentation, and by holding, safeguarding and disbursing the exchange funds for qualifying like-kind replacement property.
- Qualified Intermediaries do not act as brokers, deal makers or advisors to the taxpayer - doing so would disqualify them from serving as QI.
- QIs are subject to exchange facilitator laws in nine states: California, Colorado, Connecticut, Idaho, Maine, Nevada, Oregon, Virginia, and Washington.
- Federation of Exchange Accommodator (“FEA”) member QIs are subject matter experts in §1031 exchanges. Our members provide information, education and training to taxpayers, their accountants, attorneys, brokers and other advisors. Many FEA members have attorneys, accountants and industry-credentialed Certified Exchange Specialists® on staff.
- FEA member QIs serve as a valuable resource to taxpayers and their advisors, and promote compliance with tax rules.
- FEA member QIs agree to be bound by a set of ethical standards that prohibit commingling of client funds with the QI’s own operating funds, and require other financial security measures.
- FEA member QIs are informed about rulings, regulations and legislation involving §1031 and state exchange facilitator laws, and provide input to the IRS, regulatory authorities and legislators.

### ***About the FEA***

The Federation of Exchange Accommodators (“FEA”) is the industry association for professional exchange facilitators, also known as Qualified Intermediaries (“QI”). FEA member companies facilitate tax-deferred exchanges of investment and business use properties under IRC §1031 for taxpayers of all sizes, from individuals of modest means to high net worth taxpayers and from small businesses to large entities. Members represent a broad spectrum of the industry, ranging from small privately held businesses to publicly traded title insurance companies and banks, located in small towns to large cities across the nation.