



JLM CORP

1031 EXCHANGE

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**EXCHANGER /TAXPAYER:** The entity or person who is performing a 1031 tax-deferred exchange.

**RELINQUISHED PROPERTY:** Property sold by the exchanger/taxpayer.

**REPLACEMENT PROPERTY:** Property purchased by the exchanger/taxpayer.

**LIKE-KIND PROPERTY:** Property held for productive use in trade, business or held for investment, and both be located in US. Both the relinquished and replacement properties must be considered like-kind to qualify for tax deferral.

**QUALIFIED INTERMEDIARY (QI):** The entity who facilitates the exchange at a fee. QI cannot be related to exchanger, for example: broker, agent or attorney.

**EXCHANGE AGREEMENT:** The written agreement defining the transfer of the relinquished property proceeds to the qualified intermediary, the subsequent transfer of funds to purchase replacement property by the QI, and the restrictions on the exchange proceeds during the exchange period.

**EXCHANGE PERIOD:** The period of time in which replacement property must be received by the taxpayers ends on the earlier of 180 calendar days after the relinquished property closing, or the due date for the taxpayer's tax return. (If the 180th day falls after the due date of the taxpayer's tax return, an extension may be filed to receive the full 180-day exchange period.)

**IDENTIFICATION PERIOD:** A maximum of 45 calendar days from the relinquished property recordation date to identify potential replacement property or properties.

**DIRECT DEEDING:** Transfer of title directly from the exchanger/taxpayer to buyer, and from the seller to the exchanger/taxpayer after all necessary exchange documents have been executed.

**ACTUAL RECEIPT:** Physical possession of proceeds.

**CONSTRUCTIVE RECEIPT:** Exchanger/taxpayer does not have actual possession of the proceeds, but has proceeds held with an agent or someone who has a fiduciary relationship. Having constructive receipt creates a taxable event.

**BOOT:** "Boot" is a realized gain subject to capital gains.

**CASH BOOT:** Any proceeds actually or constructively received by the taxpayer.

**MORTGAGE BOOT:** This occurs when the taxpayer does not acquire debt that is equal or greater than the debt that was paid off on the relinquished property sale. This creates a taxable event in the form of debt relief.

**REVERSE EXCHANGE:** Exchanger/Taxpayer purchases replacement property prior to the sell and recordation of deed for relinquished property. This type of exchange requires replacement property title to pass through an Exchange Accommodation Title Holder ("EAT").