ACCOMMODATOR

See Qualified Intermediary (QI)

ADJUSTED BASIS

The cost of the property adjusted for any capital improvements or depreciation.

Original cost of property + Improvements - depreciation = Adjusted Basis.

BASIS

The starting point for determining gain or loss in any transaction. In general, basis is the cost of the taxpayer's property.

Transactions involving exchanges, gifts, probates, and receiving property from a trust can have an impact on calculating the property's adjusted basis.

BOOT

Cash or non-cash consideration, including any property that is not "like-kind," promissory notes, or debt relief (mortgage boot). If you receive boot in an exchange, it is likely that all or some portion of the boot will be taxed.

BUILD-TO-SUIT EXCHANGE

(Also known as Construction Exchange)

The build-to-suit exchange allows an owner to use the proceeds from the sale of the relinquished property not only to acquire replacement property, but also to make improvements to the property.

How this happens: A build-to-suit exchange is accomplished by having a holding entity (called an "exchange accommodation titleholder" or "EAT") temporarily hold title to the replacement property while the improvements are being made.

BUYER

The person acquiring the Exchangor's relinquished property.

CLOSING COSTS

Miscellaneous expenses involved in closing a real estate transaction over and above the price of the land. For example: Brokers commissions, settlement fees, Qualified Intermediary (QI) fees , documentary transfer taxes, recording fees, legal fees.

CONSTRUCTION EXCHANGE

See Build-to-Suit Exchange

CONSTRUCTIVE RECEIPT

Proceeds although not actually reduced to a taxpayer's possession are constructively received by him in the taxable year during which it is credited to his account, set apart for him, or otherwise made available so that he may draw upon it at any time.

DEFERRED OR DELAYED EXCHANGE

(Also known as a Forward Exchange)

This is when the Relinquished property is sold and the Replacement property is purchased within 180 days following the sale of the Relinquished Property.

DEPRECIATION

A decrease or loss in value, as because of age, wear, or market conditions.

EQUITY

The value of a person's ownership in real property or securities, less the amount of any existing liens on it.

EXCHANGE PERIOD

Once escrow closes on the relinquished property, the investor has the lesser of 180 days from the date of closing, or the date on which the investor's tax return for the year the relinquished property was sold is due, to close the purchase transaction and complete the exchange. For exchanges closing in the final quarter of the year, the taxpayer will need to get an extension to file his tax return to get the full 180 days.

EXCHANGER/EXCHANGOR

(Also known as the Taxpayer)

The person or entity that is completing the tax-deferred exchange.

GROWTH FACTOR

Interest earned on the exchange proceeds while held by the Qualified Intermediary (QI).

IDENTIFICATION PERIOD

The investor has 45 days from the closing of the relinquished property to identify replacement property. Proper identification of replacement property is a requirement for a valid exchange, and the investor can only acquire property which has been properly identified during the 45-day identification period.

LIKE-KIND PROPERTY

In the context of real estate, like-kind exchanges are valid between and among several different types of investment property, including bare land, commercial property, industrial buildings, retail stores, apartments, duplexes-even leasehold interests exceeding 30 years.

QUALIFIED INTERMEDIARY

(Also known as QI, Intermediary, Accommodator or Facilitator)

A non-disqualified party who handles the exchange transaction pursuant to section 1031 of the IRC.

RELINQUISHED PROPERTY

(Also referred to as the Downleg or Phase 1 Property)

This is the property being sold by the Taxpayer.

REPLACEMENT PROPERTY

(Also referred to as the Upleg or Phase 2 Property)

This is the property being acquired by the Taxpayer.

REVERSE EXCHANGE

(Also referred to as a Parking Arrangement)

A reverse exchange occurs when an investor wants to acquire replacement property prior to the closing of the relinquished property.

How this happens: The Exchange Accommodation Titleholder (EAT) takes title to the replacement property and "parks" it, allowing the Taxpayer to transfer the relinquished property to a third party buyer.

SAFE HARBOR

An IRS provision that gives a Taxpayer protection as long as the requirements to comply with the code are met.

SELLER

The party who owns the property the Taxpayer plans to acquire.

SIMULTANEOUS EXCHANGE

(Also known as a Concurrent Exchange)

An exchange when the sale and purchase are concurrent.

STARKER

Name of the Taxpayer in U.S. Court of Appeal's case which authorized delayed exchanges.