



Federation of Exchange Accommodators
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FOR IMMEDIATE RELEASE

The Federation of Exchange Accommodators (FEA) Celebrates 30 Years of 1031 Exchange Professionalism

1031 Trade Association Central to 1031 Exchanges and Provide Taxpayer Protections

Ankeny, IA (August 30, 2019) -- The Federation of Exchange Accommodators (FEA), the national 1031 exchange trade association for Qualified Intermediary (QI) companies, celebrates thirty years this month. The FEA was formed on August 17, 1989 and is “The Voice of the 1031 Industry.” The FEA is the only national trade association representing professionals who facilitate Section 1031 like-kind exchanges. FEA members nationally include Qualified Intermediary firms, title companies, their primary tax/legal counsel, and affiliated industries (DST sponsors, banks, real estate brokers, settlement/escrow agents, etc.).

The FEA helps QIs raise the professional quality of their services while keeping fees affordable for small real estate investors. The FEA offers QIs the opportunity to demonstrate their experience, technical expertise and commitment to ethical practices by obtaining the Certified Exchange Specialist® (CES®) designation. The designation requires a candidate to have three years’ full-time experience as a QI, pass a rigorous knowledge exam administered by an independent third party, and adhere to the CES® strict Code of Ethics.

Established by Treasury safe harbor regulations in 1991, professional FEA Qualified Intermediary (QI) companies promote compliance with the tax laws and make the benefits of 1031 like-kind exchanges accessible to real estate investors nationwide. 1031 like-kind exchanges remove friction from transactions and are a powerful economic stimulator grounded in sound tax policy. Real estate investors would ordinarily pay taxes on realized gain when selling an investment or business property but, under Section 1031, like-kind exchanges are not subject to immediate taxation – the taxes are deferred.

FEA QIs act as independent third-party principals in 1031 exchange transactions. Real estate investors benefit from the guidance and expertise provided by FEA QIs. Strict statutory requirements of Internal Revenue Code Section 1031 must be adhered to for like-kind exchanges to be considered valid by the IRS. Without the guidance of FEA QIs, real estate investors would see more 1031 exchanges disqualified which would negatively affect business reinvestment, job growth and the national economy. “The training and education the FEA provides QIs reduces tax controversy and promotes understanding regulations

through best practices. We help taxpayers and the economy move ahead,” says Mike Anderson, current FEA President. FEA QIs simplify the exchange transaction for all parties, including property owners seeking tax deferral, tax/legal advisors, closing officers/closing attorneys and real estate professionals.

1031 like-kind exchanges are a powerful economic stimulator. Real estate investors who exchange do not take profit from a transaction as proceeds from the sale of a relinquished property must be reinvested into like-kind replacement property. A 2015 study by professors David Ling and Milena Petrova found that 88% of properties acquired in a 1031 like-kind exchange are later sold in a taxable transaction. The taxes paid of the sale of exchanged properties are significantly greater than that of non-exchanged properties. Ultimately, 1031 exchanges allow real estate investors to change geographic locations, diversify or consolidate holdings, redeploy into more productive investment real estate or transition to meet business needs. In addition, 1031 exchanges stimulate the agricultural sector and are often used to promote conservation and environmentally-friendly policies.

Encouraging reinvestment into better performing property was central to Congress’ original intent for enacting tax deferred exchanges almost 100 years ago in 1921. Under 1031 exchange rules, real estate investors who are exchanging cannot have receipt of the funds from a sale without creating a taxable event. Professional FEA QIs ensure the sale proceeds are properly restricted pursuant to Treasury guidelines. Any funds not used for reinvestment in a like-kind replacement property are returned to the real estate investor at the end of the transaction by the FEA QI and this portion is taxable.

The rise of professional FEA QIs in the last 30 years has helped small real estate investors and business owners comply with the Section 1031 rules and provisions and provide a check on exuberant investors attempting to abuse the tax code. While larger assets are routinely exchanged, a survey of members of the FEA found that more than a third of exchange transactions were below \$500,000. The FEA’s Anderson continues “The bread and butter of our members is the small investor who owns a few rental properties, the farmer who needs to retire and the small business owner facing a succession dilemma. For many, this is all they have.” Typical fees for a FEA QIs services are generally modest, ranging between \$750 and \$1,500 for most exchange transactions.

FEA QIs facilitate exchanges nationally in all real estate segments including single family residential (SFR), commercial, multi-family, office, industrial, retail, triple net (NNN) as well as agricultural properties, farms and ranches.

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