MARK DIMERCURIO · 1031 CAPITAL SOLUTIONS

THE 45 & 180-DAY CLOCK

The 45- and 180-Day Clock

The strict 1031 exchange timeline, made clear: the identification window, the closing deadline, the identification rules, and why a qualified intermediary must hold the proceeds.

Why this packet exists

A 1031 exchange can defer a significant tax bill — the **tax bomb** of capital gains, depreciation recapture, the net investment income tax, and state — but only if you hit two hard deadlines that start ticking the day your sale closes. Miss either one, or touch the money, and the deferral can be disqualified, leaving the whole gain taxable. The rules are strict and individual, so this is general education, not tax advice; work the timeline with your own qualified intermediary and CPA.

Day 0: your sale closes

The clock starts when the sale of your *relinquished* property closes. From that moment, two deadlines run in parallel — they do not reset, and weekends and holidays count. There is no grace period for a closing that slips a day; the date the deed records is day zero.

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45 days: identify your replacement

Within **45 calendar days**, you must **identify** your replacement property (or properties) *in writing*, signed and delivered to your qualified intermediary. You can't just have one in mind — it has to be formally identified, in a document, on time. Two common ways to do it:

- **Three-property rule.** Identify up to three properties of any value, and you can close on any or all of them. This is the rule most exchangers use.
- **200% rule.** Identify any number of properties, as long as their combined value is no more than 200% of what you sold.

This 45-day window is the tight one — finding and committing to replacement property in roughly six weeks is why so many exchanges feel rushed, and why lining up your options *before* you sell matters so much. It's worth noting that a **Delaware Statutory Trust (DST)**, because it's already assembled, is one of the few replacement options that can realistically be identified *and* closed inside these windows when time is short.

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180 days: close the exchange

You then have **180 calendar days** from the sale (or your tax-return due date *including extensions*, whichever is earlier) to **close** on the replacement property and complete the exchange. The 180 days runs from the sale date — it is **not** 180 days after the 45-day mark. The two windows overlap; the 45 days sits *inside* the 180, it does not extend it.

The timeline at a glance

Day	What must happen	Who holds the money
Day 0	Relinquished property sale closes; both clocks start	Qualified intermediary
By Day 45	Replacement property identified in writing	Qualified intermediary
By Day 180	Replacement property purchase closes	Funds released to close

The 1031 clock: two strict deadlines

Day 0	Day 45	Day 180
Your sale closes	Identify replacement(s) in writing	Close the replacement

Both are strict calendar days — and a qualified intermediary holds the proceeds the whole time.

Both deadlines are strict calendar days. Plan before you sell. Individual results vary.

You can't touch the money

Between the sale and the purchase, you cannot take receipt of the proceeds. A **qualified intermediary (QI)** — an independent third party — holds the funds and handles the exchange paperwork. If the cash hits your account, even briefly ("constructive receipt"), the exchange generally fails. Engaging the QI *before* closing the sale is essential — it can't be added after the fact.

One related rule that trips people up: you generally have to replace the **net sale price**, not just your equity, and you can't replace old debt with new equity alone. If there was a loan on the property you sold, it has to be matched with cash or new financing on the replacement. (A DST's optional built-in leverage is one way some sellers solve this without having to qualify for a new loan — a point for your advisors.)

Where a DST helps against the clock

Because the 45- and 180-day windows are so tight, some investors use a DST as replacement property — it can be faster to close than locating and acquiring a whole building yourself, and a DST interest can qualify as like-kind. A DST is a **security**, available only to accredited investors, offered solely through a sponsor's Private Placement Memorandum (PPM), and it's illiquid, fee-bearing, and carries risk including loss of principal. **Distributions are not guaranteed.** It can ease the timeline pressure; it doesn't remove investment risk, and it isn't right for everyone.

Can the deadlines be extended?

Generally, no. The 45- and 180-day deadlines are firm. The IRS occasionally grants limited extensions in federally declared disaster situations, but you should never plan around an extension — assume the standard deadlines apply, and build in margin.

The honest trade-offs of racing the clock

- **A rushed identification is a risky one.** Choosing replacement property under deadline pressure is how investors end up in something that doesn't actually fit their goals.
- **A failed exchange is fully taxable.** If you miss a window or take receipt of funds, the deferral collapses and the entire gain becomes taxable — the worst of both worlds.
- **Planning is the only real hedge.** The deadlines reward preparation and punish improvisation. There's no extension to bail you out.

A soft next step

The best exchanges are set up *before* the relinquished property sells — QI engaged, replacement options understood, advisors at the table. If you're even thinking about selling, the time to map the timeline is now, not after the sale agreement is signed. A complimentary, no-pressure educational call is one easy way to talk it through alongside your own CPA and attorney.

Education only. This packet is not tax, legal, or investment advice, and it is not an offer to buy or sell any security. Please consult your own advisors.

I've watched too many good exchanges turn stressful for one reason: people start the clock before they've thought about where the money is going. Forty-five days sounds like a while until you're living it. If you take one thing from this packet, let it be to line up your qualified intermediary and your replacement options *before* you sell — and to lean on your own advisors, not a deadline, to make the call.

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