



CAPITAL
SQUARE 1031



**UNDERSTANDING SECTION 1031 EXCHANGES
& DELAWARE STATUTORY TRUSTS**

REQUIREMENTS

WHAT IS SECTION 1031?

Section 1031 of the Internal Revenue Code provides that no gain or loss shall be recognized on the exchange of property, provided a number of technical requirements are satisfied. Section 1031 has been interpreted liberally by the IRS and the courts permitting the exchange of virtually any type of real estate for any other type of real estate. This concept, a part of the Internal Revenue Code since 1921, reflects Congressional policy not to tax theoretical gains where a taxpayer has continued his or her investment in like-kind property.

Section 1031 provides tax deferral, not forgiveness. The gain that would have been recognized in a taxable sale is deferred until the replacement property is sold in a taxable transaction. In most deferred exchanges, taxpayers engage a "qualified intermediary" to prepare an exchange agreement and hold the net sales proceeds from the relinquished property in an exchange escrow account pending acquisition of the replacement property.

Taxpayers may structure a series of exchanges, compounding the benefits of tax deferral, thereby building wealth over time.

For more information, visit our website at www.capitalsquare1031.com.

THE SECTION 1031 EXCHANGE TIMELINE MUST BE FOLLOWED TO QUALIFY FOR TAX DEFERRAL:

All days are calendar days, regardless of whether the day falls on a holiday or weekend.



**SELL
RELINQUISHED
PROPERTY**



**IDENTIFY
REPLACEMENT
PROPERTY**



**BUY
REPLACEMENT
PROPERTY**

DEBT

Debt secured by relinquished property must be offset by equal or greater debt secured by replacement property (reduction of debt may be offset by cash from another source).

TAXABLE BOOT

Any cash or non-like kind property received in the exchange is taxable.



Delaware Statutory Trusts AT A GLANCE

- Lower investment minimums
- The DST owns 100% of the real estate
- Investors have no personal liability for any debt or property obligations
- The Sponsor is responsible for all loan guarantees
- Investors do not provide tax returns to lenders or sign loan documents
- The Sponsor manages the property and makes decisions when necessary



TO QUALIFY FOR A 1031 EXCHANGE, DST TRUSTEES MAY NOT:



- Accept capital contributions after the offering is closed
- Renegotiate existing loan terms or borrow new funds
- Sell real estate and use the proceeds to obtain new real estate
- Make more than minor repairs considered either normal repair and maintenance, minor non-structural improvements or repairs required by law
- Invest cash between distribution dates other than in short-term government debt
- Retain cash other than necessary reserves
- Enter new leases or renegotiate the current lease (unless permitted under a master lease)

INVESTORS ARE NOT ON TITLE IN A DST STRUCTURE AND HAVE NO LIABILITY ON DST LOANS



Capital Square 1031 is a national real estate investment and management company that sponsors investment-grade real estate exchange programs that qualify for tax deferral under Section 1031 of the Internal Revenue Code. The firm uses the Delaware Statutory Trust (DST) structure to make quality real estate available to a larger number of investors. Capital Square provides a range of services, including due diligence, acquisition, loan sourcing, property management/asset management, and disposition, for a growing number of high net worth investors, private equity firms, family offices and institutional investors.

FOR MORE INFORMATION, CONTACT:

Capital Square 1031, LLC Headquarters ■ 10900 Nuckols Road, Suite 200 ■ Glen Allen, VA 23060

Washington, D.C. Region Office ■ 4800 Hampden Lane, Suite 200 ■ Bethesda, MD 20814

Toll Free: (877) 626-1031 ■ Telephone: (804) 290-7900 ■ Fax: (804) 290-0086

ALWAYS REMEMBER THAT EACH PROPERTY IS UNIQUE AND PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

Information about the properties contained in this material is subject to change and must be read in conjunction with the Confidential Private Placement Memorandum for each property, which contains additional important risk disclosures and more specific information about each property. This is neither an offer to sell nor a solicitation of an offer to buy a DST interest. Offers are made solely pursuant to the Confidential Private Placement memorandum. Prospective investors should consult their own tax advisors to evaluate the tax consequences of a DST interest.

CapitalSquare1031.com