



# Cooperation Clause for 1031 Exchange

To create a valid 1031 exchange, the taxpayer must assign his rights under the purchase and sale agreement to First American Exchange. The taxpayer must also provide written notice of that assignment to all parties to the contract. It's usually advisable to ask all parties to acknowledge that they've received the notice.

The assignment and notice are required in connection with both the sale of the relinquished property and the purchase of the replacement property. In order to facilitate the assignment and notice, most tax advisors recommend adding language to the purchase and sale agreement that the taxpayer's rights are assignable to First American Exchange and that the other parties to the contract will cooperate in the exchange.

Below is sample language often used in the industry.

## SALE OF RELINQUISHED PROPERTY

Buyer acknowledges that Seller intends to perform a tax-deferred exchange pursuant to Section 1031 of the Internal Revenue Code. Buyer accordingly agrees to an assignment of the rights under this contract by the Seller to First American Exchange Company, a qualified intermediary. Buyer agrees to cooperate in such exchange as long as it does not delay the closing or cause additional expense to Buyer.

## PURCHASE OF RELINQUISHED PROPERTY

Seller acknowledges that Buyer intends to perform a tax-deferred exchange pursuant to Section 1031 of the Internal Revenue Code. Seller accordingly agrees to an assignment of the rights under this contract by the Buyer to First American Exchange Company, a qualified intermediary. Seller agrees to cooperate in such exchange as long as it does not delay the closing or cause additional expense to Seller.

We look forward to working with you on your next exchange.

**Look to us and discover solutions. Call us today.**

*First American Exchange does not require that you use any specific language in your contracts. The language provided above may not be appropriate for your particular situation, so you should have your advisors review and revise as necessary.*



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