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[Contributed Article]

Real estate professionals face many frustrations in the daily grind, but one of the most irritating is when a prospective client is ready to sell an investment property but is fearful of the resulting capital gains tax burden they will incur. And with a potential bill to the taxman as large as 40 percent of their profits, the hesitation of would-be sellers is understandable.

In an effort to address the concerns of this tax-conscious client, real estate brokers and agents often suggest the possibility of a "like-kind" or "1031 exchange." The 1031 exchange (named after Section 1031 of the Internal Revenue Code) allows an owner who sells an investment property to defer the capital gains taxes on the sale by simply reinvesting or "exchanging" their equity into a "like-kind" investment property. It's no wonder that like-kind exchanges are so popular with real estate investors. In fact, 63 percent of real estate agents assisted their clients with at least one 1031 exchange between 2011 and 2014.

While a 1031 exchange is undoubtedly one of the most valuable tools that investors have at their disposal, the IRS makes you jump through several hoops to realize these benefits. Starting the day a property is sold, the Internal Revenue Code dictates that investors have a mere 45 days to identify properties they are interested in and 180 days to complete their purchase. This narrow purchase window creates big problems for even the most experienced real estate investor, and for those clients that underestimate this challenge, or fail to plan, the 45-day deadline can be nerve wracking. They are often then faced with a dilemma that some real estate agents are familiar with – whether to invest in a property they don't have their heart in or see a significant portion of their hard-earned profits lost forever in taxes.

If the short deadlines were not enough of a challenge, the IRS also requires investors to find properties with the perfect price, not too high, but not too low. To defer all of their capital gains taxes, an investor must find one or more properties that are of equal or greater value than the property they are selling. If the purchase price on the new properties are too low, the investor will owe taxes on the difference; if the purchase price is too high, the investor may have to come to the closing table with additional funds. And to add one more twist, the mortgage balance on any new properties also has to be greater than or equal to the mortgage balance they paid off when they sold.

So, while a 1031 seems like it is the answer to every real estate investor's (and agent's) tax woes, in reality it's a harrowing and complex transaction to navigate.

However, like so many of the modern world's commercial problems, cutting-edge technology is solving this complex problem. The JOBS Act is ushering in a new era in American business, giving anybody immediate access to innovative investments. This is allowing us as a firm with expertise in real estate, tax planning and financial technology to solve the problems that 1031 investors face.

Rather than yielding to IRS deadlines and settling for small local properties with on-going landlord responsibilities, 1031 investors can co-invest in multimillion dollar, Class A properties via a secure, digital platform. Whether they have $25,000 or $10 million in exchange funds to reinvest, they are able to purchase ownership interest in one, or a portfolio of trophy properties. With a few clicks, investors enjoy unprecedented access to pre-vetted, investment grade properties offering passive, long-term income, providing them with the educational information they need to make a sound investment decision.

Now more than ever, real estate agents should capitalize on the abundance of emerging real estate tech tools to get their clients off the fence and bank their commissions.