



September, 2008

The following is a summary of the Bulletin issued August 27, 2008 by the Iowa NRCS office regarding the ability of a landowner to execute a **1031 tax deferred exchange** regarding easement purchase closings:

In the past, funds for easement purchases were not directly obligated to the program participant. Instead, they were being transferred directly to closing agents without the participant's explicit direction. NRCS now obligates closing funds directly to the program participant. The program participant can, prior to the actual closing, assign that payment to another party if they so choose.

If the participant chooses to make such an assignment of payment to facilitate a 1031 exchange, that is within their rights. However, it is not allowable for NRCS to direct closing funds to third parties without the explicit direction of the participant in the form of a signed Assignment of Payment (CCC-36).

The process will work as follows:

1. A CCC-36 Assignment of Payment Form will be sent to the landowner with the Option Agreement to Purchase.
2. The landowner will sign and return the CCC-36 Form with their signed Option.
3. When the Order for Closing Services is sent out to the closing agent, the agent will sign the Assignee's portion of the CCC-36, fill out the Tax ID number, and return the fully executed form to the State Office with the bank account information and acceptance.
4. After title work has been completed, the title guaranty commitment procured and sent to the Easement Program Team the closing package will be prepared and sent for approval by the Regional Office of the General Counsel.
5. Payment to the landowner will be electronically transmitted to the closing agent if a properly executed CCC-36 has been entered in the system.
6. The closing agent will then distribute the funds according to the NRCS's closing instructions as directed by the landowner with net proceeds being paid to the Qualified Intermediary.