



SHOULD I DO A 1031 EXCHANGE?

To determine if a 1031 Exchange makes sense for your current situation, utilize these calculations to determine your taxable gain.

1. CALCULATE CAPITAL GAINS

Sales Price of Property

\$500,000

MINUS Original Purchase Price

-\$200,000

MINUS Capital Improvements

-\$20,000

MINUS Cost of Sale

-\$30,000

EQUALS Total Capital Gains

=\$250,000

2. DEPRECIATION

=\$50,000

3. CALCULATE TAXES DUE

Recapture of Depreciation (Depreciation Value x 25%)

+\$12,500

Federal and State Capital Gain Rate (Capital Gains x 27%*)

+\$67,500

Net Investment Income Tax SF/HE (Capital Gains x 3.8%)

+\$9,500

TOTAL TAX DUE

=\$89,500

*This capital gain rate is calculated as if the federal rate is 20% and the state rate is 7%, but these rates vary depending on income bracket and the state of residence.

For more information or
To setup your 1031
contact Skye Tilson-Doheny

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SELL



EXCHANGE

SALE VS EXCHANGE

Utilizing the figures in our example, below illustrates the difference in the Proceeds through a traditional real estate sale compared to the proceeds available through a 1031 Exchange.

SALE

SALE PRICE OF PROPERTY	\$500,000
SELLING EXPENSES	MINUS \$30,000
FEDERAL GAINS TAX	MINUS \$50,000
DEPRECIATION RECAPTURE	MINUS \$12,500
STATE CAPITAL GAINS	MINUS \$17,500
NET INVESTMENT INCOME TAX	MINUS \$ 9,500
TOTAL TO REINVEST IN A NEW PROPERTY	\$380,500

EXCHANGE

SALE PRICE OF PROPERTY	\$500,000
SELLING EXPENSES	MINUS \$30,000
FEDERAL GAINS TAX	MINUS \$0
DEPRECIATION RECAPTURE	MINUS \$0
STATE CAPITAL GAINS	MINUS \$0
NET INVESTMENT INCOME TAX	MINUS \$0
TOTAL TO REINVEST IN A NEW PROPERTY	\$470,000

BENEFIT OF EXCHANGING VS SELLING
\$89,500

OF ADDITIONAL EQUITY AVAILABLE TO REINVEST THROUGH A 1031 EXCHANGE

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