



SELL



EXCHANGE

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 NET ADJUSTED BASIS

Original Purchase Price of Relinquished Property (Basis)

EXAMPLE

\$200,000

YOUR FIGURES

PLUS Capital Improvements

+

\$20,000

+

MINUS Depreciation

-

\$50,000

-

EQUALS Net Adjusted Basis

=

\$170,000

=

2. CALCULATE CAPITAL GAINS

Today's Gross Sales Price

\$500,000

-

\$30,000

-

MINUS Cost of Sale (including commissions, fees, etc.)

-

\$170,000

-

MINUS Net Adjusted Basis (calculated above)

=

\$300,000

=

EQUALS Capital Gains

3. CALCULATE TAXES DUE

Recapture of Depreciation (Depreciation Value x 25%)

\$12,500

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

-

\$81,000

-

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

-

\$11,400

-

TOTAL TAX DUE

=

\$104,900

=

**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	\$500,000
EXPENSES	- \$30,000
ADJUSTED BASIS	- \$170,000
TAXABLE GAIN	\$300,000
NET AFTER TAX PROCEEDS	\$365,100

EXCHANGE

SALE PRICE	\$500,000
EXPENSES	- \$30,000
	=
GROSS PROCEEDS (1031=TAX DEFERRAL)	\$470,000

CONTACT US

SHELTER 1031

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