

**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

	EXAMPLE		YOUR FIGURES
Original Purchase Price of Relinquished Property (Basis)	<b>\$200,000</b>		
PLUS Capital Improvements	<b>+</b> <b>\$20,000</b>	<b>+</b>	
MINUS Depreciation	<b>-</b> <b>\$50,000</b>	<b>-</b>	
EQUALS Net Adjust Basis	<b>=</b> <b>\$170,000</b>	<b>=</b>	

## 2. CALCULATE CAPITAL GAINS

Today's Gross Sales Price	<b>\$500,000</b>		
MINUS Cost of Sale (including commissions, fees, etc.)	<b>-</b> <b>\$170,000</b>	<b>-</b>	
MINUS Net Adjust Basis (calculated above)	<b>-</b> <b>\$30,000</b>	<b>-</b>	
EQUALS Capital Gains	<b>=</b> <b>\$300,000</b>	<b>=</b>	

## 3. CALCULATE TAXES DUE

Recapture of Depreciation (Depreciation Value x 25%)	<b>\$12,500</b>		
Federal and State Capital Gain Rate (Capital Gains x 27%*)	<b>-</b> <b>\$81,000</b>	<b>-</b>	
Net Investment Income Tax SF/HE (Capital Gains x 3.8%)	<b>-</b> <b>\$11,400</b>	<b>-</b>	
<b>TOTAL TAX DUE</b>	<b>=</b> <b>\$104,900</b>	<b>=</b>	

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# 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

<b>SALE PRICE</b>	<b>\$500,000</b>
<b>EXPENSES</b>	<b>- \$30,000</b>
<b>ADJUSTED BASIS</b>	<b>- \$170,000</b>
<b>TAXABLE GAIN</b>	<b>\$300,000</b>
<b>NET AFTER TAX PROCEEDS</b>	<b>\$365,100</b>

## EXCHANGE

<b>SALE PRICE</b>	<b>\$500,000</b>
<b>EXPENSES</b>	<b>- \$30,000</b>
<b>==</b>	
<b>GROSS PROCEEDS (1031=TAX DEFFERAL)</b>	<b>\$470,000</b>

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