

# Should You Do a 1031 Exchange?

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



	EXAMPLE	YOUR FIGURES
<b>1. CALCULATE NET ADJUSTED BASIS</b>		
Original Purchase Price of Relinquished Property (Basis)	<b>\$2,000,000</b>	
PLUS Capital Improvements	<b>+ \$200,000</b>	<b>+</b>
MINUS Depreciation	<b>- \$500,000</b>	<b>-</b>
EQUALS Net Adjusted Basis	<b>= \$1,700,000</b>	<b>=</b>
<b>2. CALCULATE CAPITAL GAINS</b>		
Today's Gross Sales Price	<b>\$5,000,000</b>	
MINUS Cost of Sale (including commissions, fees, etc.)	<b>- \$300,000</b>	<b>-</b>
MINUS Net Adjusted Basis (calculated above)	<b>- \$1,700,000</b>	<b>-</b>
EQUALS Capital Gains	<b>= \$3,000,000</b>	<b>=</b>
<b>3. CALCULATE TAXES DUE</b>		
Recapture of Depreciation (Depreciation Value x 25%)	<b>\$125,000</b>	
Federal and State Capital Gain Rate (Capital Gains x 27%*)	<b>- \$810,000</b>	<b>-</b>
Net Investment Income Tax SF/HE (Capital Gains x 3.8%)	<b>- \$125,400</b>	<b>-</b>
<b>TOTAL TAX DUE</b>	<b>= \$1,060,400</b>	<b>=</b>

\*Average estimated combination of federal and state taxes. Taxes vary based on state and income levels. Above calculations are for illustration purposes only, consult with a tax advisor on specific tax situations.