

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
1. CALCULATE NET ADJUSTED BASIS		
Original Purchase Price of Relinquished Property (Basis)	\$200,000	
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	
MINUS Cost of Sale (including commissions, fees, etc.)	- \$30,000	-
MINUS Net Adjusted Basis (calculated above)	- \$170,000	-
EQUALS Capital Gains	= \$300,000	=
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/MFJ (Capital Gains x 3.8%)	- \$11,400	-
TOTAL TAX DUE	= \$104,900	=

*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.