How Capital Gains Tax Rates Affect Investment Sales

Without a 1031 Exchange

Up to 40% Current Taxes

- 15% Cap Gains tax - OR - 20% Cap Gains tax IF taxable income is $441,451+ (single) or $496,601+ (joint)
- 3.8% net investment income tax IF adjusted gross income is $200K+ (single) or $250K+ (joint)
- 9.3% - 13.3% California state tax
- 25% Depreciation recapture

With a 1031 Exchange

0% Taxes

1031 Guidelines

1. Held for Investment
   Owned & treated as investment property.

2. Identification Rules
   45 Days to identify:
   - 3 Property Rule
   - 200% Rule
   - 95% Rule

3. Closing Rules
   180 days to close on one or more of the identified properties.

4. Qualified Intermediary Requirements
   Must use QI who is neutral party not advising client in last 2 years. All monies held until exchange closes.

5. Reinvestment Requirements
   To have no taxes, buy equal-or-greater in value and reinvest all proceeds.

6. Title Requirements
   Both relinquished and replacement properties must use same taxpayer ID.

James Callejas
VP - Major Accounts, Certified Exchange Specialist
james.callejas@ipx1031.com
415.640.0794 Cell
415-640-0794
www.ipx1031.com/callejas

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