How Capital Gains Tax Rates Affect Investment Sales

Without a 1031 Exchange

up to 30% 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)
- 0% - 6.93% state tax
- 25% Depreciation recapture

With a 1031 Exchange

0% Taxes

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

Both relinquished and replacement properties must use same taxpayer ID.

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.

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