How Capital Gains Tax Rates Affect Investment Sales

Without a 1031 Exchange

up to 35% 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)
- 3.23% - 9.85% state tax
- 25% Depreciation recapture

With a 1031 Exchange 0% Taxes

1031 Guidelines

Held for Investment
Owned & treated as investment property.

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

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

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

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

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

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