How Capital Gains Tax Rates Affect Investment Sales

**Without a 1031 Exchange**

- **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% Texas 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.

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