How Capital Gains Tax Rates Affect Investment Sales

Without a 1031 Exchange

- Current Taxes up to 40%
  - 15% Cap Gains tax - OR - 20% Cap Gains tax IF taxable income is $434,551+ (single) or $488,851+ (joint)
  - 3.8% net investment income tax IF adjusted gross income is $200K+ (single) or $250K+ (joint)
  - 0% - 13.3% 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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