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.

Jordan Phillips
Assistant Vice President
Account Executive
jordan.phillips@ipx1031.com
(442) 287-7239
www.ipx1031.com/phillips

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