

EXCHANGE ANALYSIS

The purpose of this form is to determine the tax impact if a property is sold but not exchanged and to determine the reinvestment requirements for a tax-free exchange. See reverse side for an example and explanation.

A. TAXABLE GAIN if property is sold

1	SELLING PRICE		\$ _____
2	Subtract Selling Costs		- _____
3	ADJUSTED SELLING PRICE		\$ _____
4	Original Cost Basis	\$ _____	
5	Add Improvements	+ _____	
6	ADJUSTED COST BASIS	\$ _____	
7	Subtract All Depreciation Authorized/Taken	- _____	
8	TAX BASIS (subtract from Line 3)		- _____
9	TOTAL TAXABLE GAIN if property is sold (or deferred if property is exchanged)		\$ _____

B. FEDERAL TAX ON GAIN

10 a.	Recapture of All Section 1250 Depreciation Allowed		\$ _____
	\$ _____ (Line 7) x 25%		\$ _____
b.	Capital Gain on Profit (Adjusted Selling Price less Adjusted Cost Basis)		
	\$ _____ (Line 3 less Line 6) x 15%		+ _____
11	TOTAL FEDERAL TAX due if property is sold (or amount deferred if exchanged)		\$ _____

C. BEFORE and AFTER TAX PROCEEDS

12	SELLING PRICE (Line 1)		\$ _____
13	Subtract Balance Due on All Loans		- _____
14	EQUITY		\$ _____
15	Subtract Selling Costs (Line 2)		- _____
16	Proceeds Before Tax (cash to escrow in an exchange)		\$ _____
17	Subtract Total Federal Tax Due (Line 11)		- _____
18	Net Sale Proceeds After Tax if property is sold		\$ _____

D. EXCHANGE REINVESTMENT REQUIREMENTS

For deferral of all gain, the replacement property(ies) must cost at least \$ _____ (Line 3) and the amount of cash reinvested must be at least \$ _____ (Line 16). The balance of funds needed to purchase the new property(ies) may be borrowed and/or be **new** cash.

If the new property(ies) cost less than Line 3 or the cash reinvested is less than Line 16, then the capital gain will be recognized and will be taxed on whichever amount of difference is greater. The recaptured Section 1250 depreciation will be taxed first.

This publication is designed to provide accurate information on tax-deferred exchanges. The publisher is not engaged in rendering legal or accounting services. If legal or tax advice is required, the services of a competent professional should be sought.



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EXAMPLE AND EXPLANATION OF A LIKE-KIND EXCHANGE ANALYSIS

The Like-Kind Exchange Analysis is used to determine the tax impact if a property is sold but not exchanged and to determine the reinvestment requirements for a tax-free exchange.

EXAMPLE: A rental property has a selling price of \$500,000, and it is estimated the total selling costs will be \$40,000. The property cost \$150,000 when originally purchased ten years ago. No depreciable improvements have been made. The estimated depreciation taken is \$45,000.

A. TAXABLE GAIN if property is sold

1	SELLING PRICE		\$ 500,000
2	Subtract Selling Costs (<i>see Note 1</i>)		<u>- 40,000</u>
3	ADJUSTED SELLING PRICE		\$ 460,000
4	Original Cost Basis	\$ 150,000	
5	Add Improvements	<u>+ 0.00</u>	
6	ADJUSTED COST BASIS	\$ 150,000	
7	Subtract All Depreciation Authorized/Taken (<i>see Note 2</i>)	<u>- 45,000</u>	
8	TAX BASIS (subtract from Line 3)		<u>- 105,000</u>
9	TOTAL TAXABLE GAIN if property is sold (or deferred if property is exchanged)		\$ 355,000

B. FEDERAL TAX ON GAIN (*see Note 3*)

10	a. Recapture of All Section 1250 Depreciation Allowed (<i>see Note 4</i>)		
		\$ 45,000 (Line 7) x 25%	\$ 11,250
	b. Capital Gain on Profit (Adjusted Selling Price less Adjusted Cost Basis)		
		\$ 310,000 (Line 3 less Line 6) x 15%	<u>+ 46,500</u>
11	TOTAL FEDERAL TAX due if property is sold (or amount deferred if exchanged)		\$ 57,750

C. BEFORE and AFTER TAX PROCEEDS

12	SELLING PRICE (Line 1)		\$ 500,000
13	Subtract Balance Due on All Loans		<u>- 90,000</u>
14	EQUITY		\$ 410,000
15	Subtract Selling Costs (Line 2)		<u>- 40,000</u>
16	Proceeds Before Tax (cash to escrow in an exchange)		\$ 370,000
17	Subtract Total Federal Tax Due (Line 11)		<u>- 57,750</u>
18	Net Sale Proceeds After Tax if property is sold		\$ 312,250

D. EXCHANGE REINVESTMENT REQUIREMENTS

For deferral of all gain, the replacement property(ies) must cost at least \$ 460,000 (Line 3) and the amount of cash reinvested must be at least \$ 370,000 (Line 16). The balance of funds needed to purchase the new property(ies) may be borrowed and/or be **new** cash.

NOTES:

1. To estimate selling costs, use 8 to 10% considering points paid or allowances given by seller
2. To estimate residential depreciation taken, multiply purchase price of property being sold by 3%, times the number of years the property has been rented.
3. Total taxable gain is the Profit plus all the Depreciation taken.
4. Section 1250 property is basically all real estate rental property.