



7400 Heritage Village Plaza, Suite 102
Gainesville, VA 20155
800-795-0769
703-754-9411
Fax 703-754-0754
www.1031.us

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.

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. COST BASIS + IMPROVEMENTS	\$ _____	
7. Subtract All Depreciation Authorized/Taken	- _____	
8. ADJUSTED BASIS (subtract from Line 3)		- _____
9. TOTAL TAXABLE GAIN if property is sold (or deferred if property is exchanged)		\$ _____

B. Tax on Gain: (Note 3)

10 a. Capital Gain Tax on Profit	\$ _____ (Line 3 less Line 6) x 15%	\$ _____
b. Recapture Section 1250 Depreciation Allowed	\$ _____ (Line 7) x 25%	+ _____
11. Your State Income Tax Rate (Note 5)	Tax Rate _____ % x Line 9	+ _____
12. ESTIMATED TAX due if property is sold (or amount deferred if exchanged) (Note 6)		\$ _____

C. Before and After Tax Proceeds

13. SELLING PRICE (Line 1)	\$ _____
14. Subtract Balance Due on All Loans	- _____
15. EQUITY	\$ _____
16. Subtract Selling Costs (Line 2)	- _____
17. Proceeds Before Tax (cash to escrow in an exchange)	\$ _____
18. Subtract Total Tax Due (Line 12) (Note 6)	- _____
19. 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 17). 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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Notes:

- (1) To estimate selling costs use 8 to 10% considering discounts 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 (Line 10a) plus all the Depreciation taken (Line 10b).
- (4) Section 1250 property is basically all real estate rental property.
- (5) Your state taxes will vary depending on the state. We recommend checking state tax authority websites or consulting a local tax attorney or tax accountant to get an accurate number.
- (6) Caution: Your recognized gain may push income above tax thresholds. Capital gain is X 20% if taxable income is above (\$425,800 S/\$479,000 MFJ) and you may have to add and pay 3.8% Medicare Tax. (As of 7/2019)

For more detailed information about calculating your Basis, please refer to IRS Publication 551, Basis of Assets:

https://www.irs.gov/publications/p551#en_US_201812_publink1000257025