



Toll Free 888-899-1031
Fax 303-715-1012

infox@1031x.net

Thought you'd find this helpful:

Example of the Benefit of a 1031 Exchange

An example of the benefit of exchanging:

The primary purpose of performing a 1031 Tax Deferred Exchange is to avoid current tax liability. By avoiding current tax liability the Exchanger preserves capital and makes this capital available for the re-purchase of replacement property. Preservation of capital, in turn, allows for:

- 1) Return of investment on this capital;
- 2) Larger down payment on replacement property;
- 3) Lower monthly payments on replacement property;
- 4) Greater ability to leverage replacement property;
- 5) Possibility of deferring taxation forever.

Here is an example of how exchanging property increases the power of the Exchanger's investment dollar.

Property Basis Calculation:

Purchase Price= \$100,000.00

Less Depreciation= \$ 30,000.00

Adjusted Basis= \$ 70,000.00

Tax Calculation:

Current Sales Price= \$175,000.00

Less Basis (From Above)= \$ 70,000.00

Taxable Gain= \$105,000.00

Tax Due= \$ 22,500.00 (25% of \$30,000.00 plus 20% of \$75,000.00)

Cash Available for reinvestment:

Exchange:	No Exchange:
Sales Price = \$175,000	Sales Price = \$175,000
Cost of Sale = \$10,000	Cost of Sale = \$10,000
Less Mortgages = \$50,000	Less Mortgages = \$50,000
Taxes = \$0 (Deferred)	Less Taxes = \$22,500
Cash From Sale = \$115,000	Cash From Sale = \$ 92,500
Investment Power (4 times Cash) = \$ 460,000	Investment Power (4 times cash) = \$ 370,000

--	--

In this example the Exchanger, maintains control over an additional \$22,500.00 if an exchange is performed rather than a sale and repurchase.

Please call www.1031x.com at 888-899-1031 or email info@1031x.net for a free consultation!