

COMPLIMENTS OF:



## THE POWER OF EXCHANGE

Valuable Information for Real Estate Professionals and their Clients

# CALCULATING YOUR CAPITAL GAIN

“ANALYZE THE BENEFITS OF AN EXCHANGE BEFORE YOU SELL”

### COMPARE THE TAX SAVINGS AND ADDITIONAL PURCHASING POWER OF AN EXCHANGE VS. A TAXABLE SALE

#### 1. CALCULATE NET ADJUSTED BASIS

Original Purchase Price	_____
+ Improvements	_____
- Depreciation	_____
= <i>NET ADJUSTED BASIS</i>	_____

#### 2. CALCULATE CAPITAL GAIN

Sales Price	_____
- Net Adjusted Basis	_____
- Cost of Sale	_____
= <i>CAPITAL GAIN</i>	_____

#### 3. CALCULATE CAPITAL GAIN TAX DUE

Recaptured Depreciation (25%)	_____
+ Federal Capital Gain (20%)	_____
+ State Tax (when applicable)	_____
= <i>TOTAL TAX DUE</i>	_____

#### 4. ANALYZE PURCHASE WITHOUT AN EXCHANGE

Sales Price	_____
- Cost of Sale	_____
- Loan Balances	_____
= <i>GROSS EQUITY</i>	_____
- Capital Gain Taxes Due	_____
= <i>NET EQUITY</i>	_____
Net Equity X 4 =	_____

#### 5. ANALYZE PURCHASE WITH AN EXCHANGE

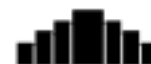
Capital Gain Taxes Due	_____ 0 _____
<i>Gross Equity = Net Equity</i>	_____
Gross Equity x 4 =	_____

The real power of a tax deferred exchange is not just the tax savings — it is the tremendous increase in purchasing power generated by this tax savings! With the advantages of leverage, every dollar saved in taxes allows a real estate investor to purchase two to three times more real estate.

Many investors are surprised to discover that capital gain taxes are far higher than 20%. State taxes, which can be as high as 11% in some states, are added to the federal capital gain tax owed. In addition, depreciation deducted over the ownership period is taxed at a rate of 25%. The net result is often a large percentage of your profits going directly to pay taxes. Under the 4th calculation, the net equity times four (assuming a 25% down payment) is the value of property you could purchase after paying all capital gain taxes.

Under the 5th calculation involving an exchange, **no taxes are paid, leaving the full purchasing power of the ENTIRE GROSS EQUITY to acquire considerably more real estate!** In just one transaction, the Exchanger acquires far more investment property than a seller!

*[Note: Asset Preservation, Inc. cannot give tax and or legal advice. Every taxpayer should review their specific transaction and potential tax consequences with their own tax and/or legal advisors.]*



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