

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	_____
= NET ADJUSTED BASIS	_____

2. CALCULATE CAPITAL GAIN

Sales Price	_____
- Net Adjusted Basis	_____
- Cost of Sale	_____
= CAPITAL GAIN	_____

3. CALCULATE CAPITAL GAIN TAX DUE

Recaptured Depreciation (25%)	_____
+ Federal Capital Gain (15%)	_____
+ State Tax (when applicable)	_____
= TOTAL TAX DUE	_____

4. ANALYZE PURCHASE WITHOUT AN EXCHANGE

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

5. ANALYZE PURCHASE WITH AN EXCHANGE

Capital Gain Taxes Due	_____	0
Gross Equity = Net Equity	_____	
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 15%. State taxes, which can be as high as 11% in some states, are added to the federal capital gain taxes 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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