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Gain 1031 Exchange Company, LLC

What is a 1031 Exchange?
Why do one?

- A way to avoid capital gains tax and other tax due upon selling property

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What tax is due upon a sale?

- Four taxes due upon selling property
  1. Capital gain tax – on gain
     - Short term (under 1 year) is ordinary income tax rate
     - Long term (over 1 year) is 15% for most – new in 2013 20% for sellers with total income over $400K single/$450K married
  2. Depreciation “Recapture” - 25% on improvements
  3. Net Investment Income (medicare surtax new in 2013) – 3.8 % on net investment income over threshold of $200K for single/$250K for married
  4. State Tax
     1. MN (new 2013) 9.85% top rate
     2. ND 3.22% (new 2013) top rate less a 40% exclusion

*C Corp taxpayers pay tax on gain at their corporate tax rate

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When should someone do an exchange?

- Two Questions:
  1. Tax due
  2. Desire to own other property

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What types of Property?

- Property “Used in a trade, business or for investment purposes.”

Process

- Key parts of the process:
  1. Don’t touch the $$
  2. Use Qualified Intermediary
     - Provide information - NOT LEGAL or TAX ADVICE
     - Paperwork – transfer the property
     - Hold proceeds funds in escrow
  3. 45 days
  4. 180 days (less if tax return due –can file extension)

Other key items

- Purchase equal or up
- Same taxpayer
- Report on form 8824

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