Calculating the Approximate Capital Gain Tax

The gain, from the sale of investment property is subject to the combination of capital gain taxes and the tax on recapture of depreciation. Investors should consult with their tax or legal advisors prior to entering into an exchange. This formula is an approximate guide to estimate the potential capital gain tax.

Original Purchase Price		______________	
▪ Plus non-expensed improvements	+	______________	
▪ Minus depreciation taken	-	______________	
Equals Adjusted Basis	=	______________	
Sales Price		______________	
▪ Minus adjusted basis	-	______________	
▪ Minus transaction costs (Commissions, fees, etc.)	-	______________	
Equals Total Gain on Sale	=	______________	
▪ Multiply by state capital gain tax rate (If applicable)	X	______________	
	=	______________	(A)
Gain from Appreciation	=	______________	
▪ Multiply by federal capital gain tax rate	X	______________	
	=	______________	(B)
Gain from Depreciation Recapture	=	______________	
▪ Multiply by federal 25% tax rate (2010)	X	______________	
	=	______________	(C)
Total of Taxes A+B+C Equals the Capital Gain Tax Exposure that is Deferred Through a 1031 Exchange	=	______________	