

1031 Exchange for Small Business Owners

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Disclosure

2018

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**1031 is a
Deferred
Exchange**

**1031 is not
a Tax-Free
Exchange**

Types of 1031 Exchange



Delayed Exchange



Simultaneous Exchange



Improvement Exchange



Personal Property Exchange



Reverse Exchange

Tax Deferral Strategy: 1031 Exchange



Capital Gains Taxes

20% Threshold Rate



3.8% Health Care Tax

Applies individual earnings over \$200,000 and married earnings over \$250,000



Depreciation Recapture Tax

25% Rate



State Taxes

Each State has their own rate

What is a Like-Kind Property



Examples of Like-Kind Property



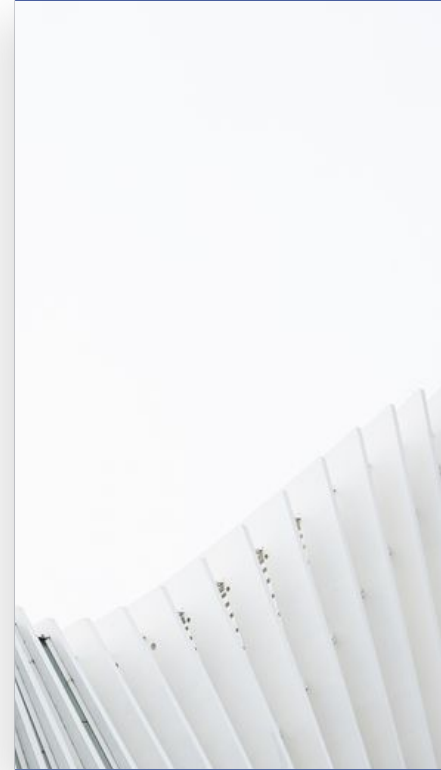
**Residential to
Commercial**



**Commercial for
Industrial**



**Single Family for
Multi-family**



**Non-Income vacant
land for Office**



Office for Retail



2018

Simple Test

100% Deferral
Greater in value
Greater Debt
Spend all net proceeds

Boot: Calculate the numbers

	Relinquished Property	Replacement Property	Boot
Value	\$6,000,000	\$7,500,000	
Debt	\$4,000,000	\$5,500,000	
Net Proceeds	\$2,000,000		
<hr/>			
Total Boot			\$0

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Partial 1031 Exchange for access to cash

Two Types of Boot

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Boot Cash

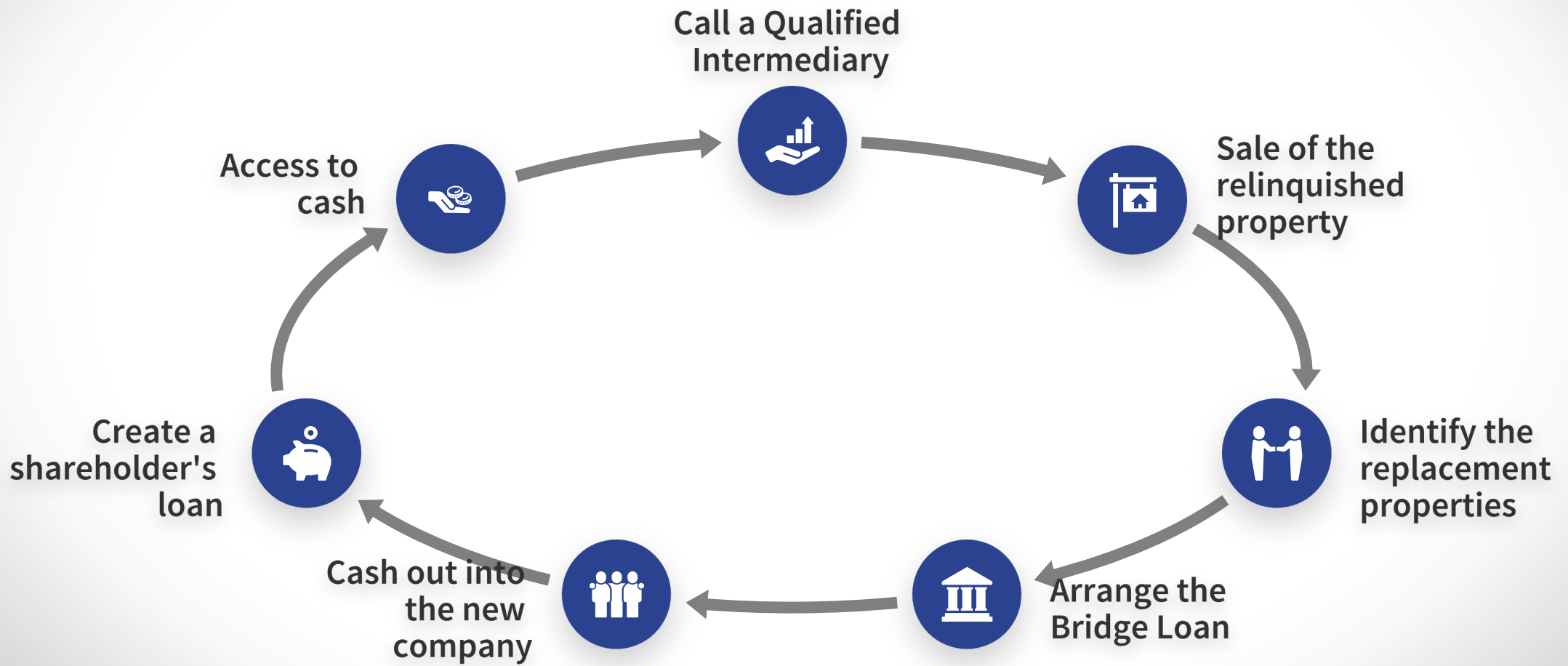
Equity from relinquished property to replacement property

Boot Debt

Debt from relinquished property to replacement property



Partial 1031 Exchange



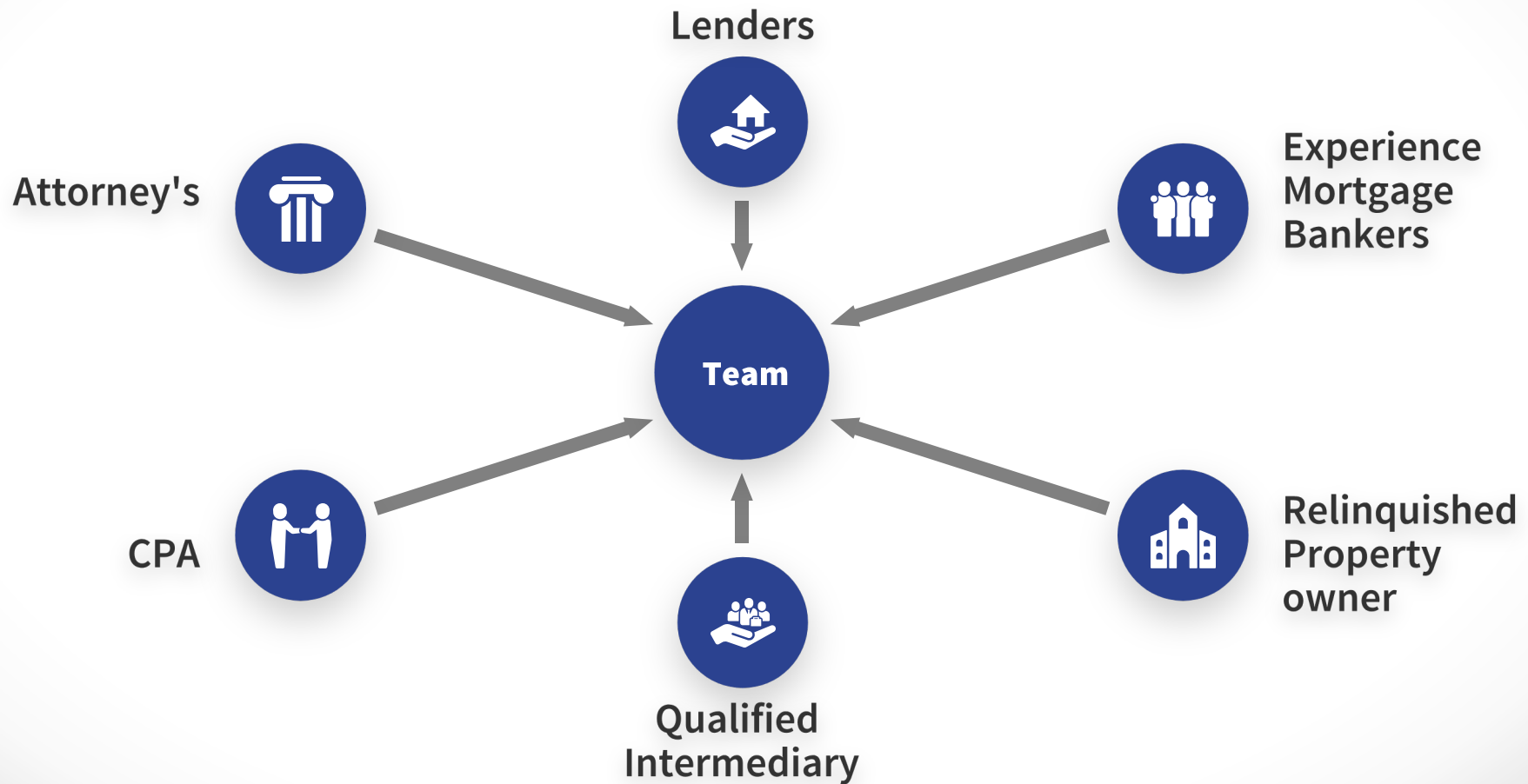
Partial 1031 Exchange

The access to cash is based on a business unless the relinquished property was a sole proprietor. In most cases the borrowers are S-Corp, LLC, LLP or even a professional corp. Individual's should not receive cash. This cash out transaction may effect the balance sheet and financial statements. Please contact your tax, legal, lender and qualified intermediary, before acting upon any taxable transaction. The transaction is complicated and make sure you are working with a team that fully understand the 1031 exchange process.

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Partial 1031 Exchange Team



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