

CASE STUDY

1031 Exchanging Into Multiple Properties Leads to Saving \$105K in Capital Gains Tax



Susan had a high-end vacation rental in Cape Cod that she inherited twenty years ago. She wanted to sell the property and reinvest into multiple rental properties in Florida to provide a steadier stream of income.

Susan went under contract to sell her property for \$1,200,000. She consulted with her CPA and was informed that she would owe approximately \$105,000 in capital gains taxes if she did not do a 1031 exchange.

HOW IT WORKS

Susan's CPA also advised her that he could not set up the exchange for her and that she would need to engage a Qualified Intermediary (QI) before closing on her sale. She was referred to a QI, Equity 1031 Exchange, and was able to set up her exchange.

Equity 1031 Exchange directed Susan to Section 1031 of the Internal Revenue Code that outlines the requirement to complete her exchange within 180 days of closing on her sale and identify replacement properties within 45 days of closing on the sale.

After she closed on her sale, she found four single-family homes to rent in Florida with a combined value of \$2,400,000. She identified these to the QI before the 45th day.

Susan knew that she needed to apply all of her proceeds towards the purchases and only finance what was required. She found a private lender willing to lend enough funds to cover all the purchases and utilize all of her cash from her vacation rental sale.

She closed on all four of the properties before the 180th day.

THE RESULT

Susan was able to purchase four properties in a new market. Because these were single-family homes, she also received a steadier income stream compared to the vacation rental she once had. In addition, she did not have to pay the capital gains taxes on the Cape Cod rental sale since she completed a 1031 exchange.



THE 1031 EXCHANGE*

Relinquished Property Value

\$1,200,000 (Basis \$500,000)

Replacement Properties Total Value

\$2,400,000

Cash Reinvested

\$1,200,000

Amount of Loan

\$1,200,000

Total Exchange Fees

\$2,000

Capital Gains Tax Savings

\$105,000

*Numbers have been rounded and closing costs are not included

Interested in leveraging a 1031 exchange to grow your real estate portfolio? Contact Equity 1031 Exchange today for a free consultation!



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