

“Taxes are paid on capital gain, not equity or profit.”

It is possible to have little or no equity and still owe tax. Capital gain is arrived at by subtracting the adjusted basis from the gross sale price. The adjusted sale price is the gross sale price minus standard transaction costs. To arrive at the adjusted basis, first establish cost basis (usually the original purchase price). Next, add to this figure all improvements made to the property which were not expensed. Then, subtract all depreciation taken over the period of ownership.

To determine the estimated capital gain, subtract the adjusted basis from the sale price. Next, subtract the transaction costs (commissions, fees, ect.) to determine the capital gain. Finally, multiply the capital gain by your combined tax rate (Federal and State) to determine your estimated capital gains tax.

Original Purchase Price	_____
Plus Capital Improvements	+ _____
Minus Depreciation Taken	(_____)
Equals Adjusted Basis	= _____
Current Sales Price	_____
Minus Adjusted Basis	(_____)
Minus Transition Costs	(_____)
Equals Capital Gain	= _____
/CG-D/ Times Your Tax Rate for appreciation	= _____
D/ Times Your Tax Rate for depreciation	+ _____
Add State taxes	+ _____
Equals Capital Gains Tax*	+ _____

*** This is the amount you would defer if you exchanged.**

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