

## Term

1031 Exchange	Consider it as a rollover rather than an exchange... the Gain is rolled over to a new property. Unlimited amount of times an individual can rollover gain and postpone tax. Any money given to make up the difference is referred to as a "boot". Ultimate goal is to make tax disappear.
1031 Exchange – 7 Essential Requirements	Like-Kind Party, 45 Day Identification Period, 180 Day Purchase Period, Use of Qualified Intermediary – Make sure your Escrow company qualifies, title must be mirror image, reinvest equal or greater amount, revers exchanges- title to both properties cannot be the same name at the same time
Benefits of home ownership	Mortgage Interest Deduction is tax deductible (1040) First few years largest due to the interest Also know as: MID Primary and secondary homes are both deductible. Investment properties- depends on structure and there are deductions on that too. Best is buying it LLC.
Calculate Cost Basis/ TAX BASIS	Purchase Price of Home (Cash = Finance Amount) + Costs incurred during acquisition (real estate agent commission + mortgage fees) = Cost Basis
Capital Gain on Investment Property	Capital Gain: the difference between the sales price and the cost of purchase and improvements. Short-term tax rate of 25%, by property held for less than a year. Long-term tax rate of 15% for properties held for 1 year or longer.
Capital Gains	Capital Gains is the increase in value on a property Cost basis (purchase price + improvements) Recognized depreciation Sales price The capital gain
Capital Gains Tax	Capital Gains is on any property, its not just for real estate its for equipment it can be for stock and investments it can be for any thing that has a significant value. Difference between the original costs and what you bought it for. And the increase in value and that gain is taxed.
Closing costs paid on a transaction are tax deductible	These are used as points, which are deductible Whether paid by you or the seller.
Equity	Equity refers to the amount of a property that you can actually OWN as opposed to the amount you have financed. Value of home Home Mortgage (s) Equity Liens
Exclusion	Excluded Capital Gains on the sale of Real Estate Single Taxpayer can EXCLUDE up to 250K in capital gains taxes from the sale of Primary residence. Married Taxpayer can EXCLUDE up to 500K in capital gains taxes from the sale of Primary residence.
HOME EQUITY LINES – Interest deduction	Like getting a second mortgage on your home. The interest is deductible. This process is used to enhance and improve the home.
IN Utah	Tax is due November 30th
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Loan Amortization Schedule	Accumulative interest The interest is more than the principle to begin with will decrease over time and principle will rise. It reduces effective tax rate, reducing tax liability
Real Estate Capital gain Exclusion	live as primary resident for at least 24 months in the last 60 months (2 out of the last 5 years) The 24 months do not need to be consecutive.
Tax Basis	the cost of your property
Tax Deferment	tax is postponed into the future to be taxed later
The County Assessor	Is responsible for assessing the amount of taxes for each homeowner.

## Concept

Compute the Capital Gain on Sale of Residence      Purchase price + improvements for adjusted cost basisTake Sales Price of Home-Adjusted cost basis = Capital Gains

Cost Recovery (depreciation) on Investment Property      be something that wears out, becomes obsolete, or losses its value from natural causes (buildings).-Cost basis excludes cost of the land-Dwelling Units have a useful life of 27.5 years and can be depreciated over that period of time. Non-residential has useful life of 39 years.-Straight line depreciation:  $\text{cost} / \text{useful life}$

Cost Recovery (depreciation) on Investment Property      Depreciation, a tax concept implemented by the internal revenue service that is roughly defined by the tax code as a loss in value to a property over time as the property is being used.-Considered a tax shelter for investors-Property must be used in a trade of business or held for production of income.-Must have determinable useful life longer than 1 year