



Hypothetical Scenarios

HYPOTHETICAL SCENARIO

Commercial Property sale in NYC

Sales proceeds after
commissions and closing costs: \$20,000,000
Seller's Original Basis: \$5,000,000
Capital Improvements: \$1,000,000
Depreciation: \$4,000,000
Mortgage Balance at time of closing: . . \$2,000,000
Seller's adjusted basis : \$2,000,000
(purchase price + capital improvements - depreciation)
Taxable gain: \$18,000,000
(net sales proceeds minus adjusted basis)
Federal Tax 20-25% - Unrecaptured section 1250 gain applies
NY State & City Tax 12.7%
Medicare Tax 3.8%

Approximate Tax Due: \$6,770,000

**Approximate Tax Due with a
Deferred Sales Trust™: \$0**

HYPOTHETICAL SCENARIO

Business in Chicago

Sales proceeds after
commissions and closing costs: \$10,000,000
Seller's Original Basis: \$0
Business Loan balance at time of closing: \$250,000
Taxable gain: \$10,000,000
(net sales proceeds minus adjusted basis)
Federal Tax 20%
Illinois State Tax 4.95%
Medicare Tax 3.8% (doesn't apply to this situation)

Approximate Tax Due: \$2,495,000

**Approximate Tax Due with a Deferred Sales Trust™
with Mortgage Over Basis (MOB): \$62,375**

***Mortgage Over Basis (MOB) is taxable = \$250k is non-deferrable.**

HYPOTHETICAL SCENARIO

Primary Residence in Los Angeles

Mr. and Mrs. Taxpayer want to sell the highly
appreciated residential property in California that
they have lived in for ten years:
Sales proceeds after
commissions and closing costs \$4,000,000
Seller's Original Basis: \$400,000
Mortgage Balance at time of closing: 300,000
IRC sec.121 exclusion: \$500,000
(\$250,000 per owner residing there for two of the last
five years)
Seller's adjusted basis: \$900,000
(purchase price + section 121 exclusion)
Taxable gain: \$3,100,000
(net sales proceeds minus adjusted basis)
Federal Tax 20%
CA State Tax 13.3%
Medicare Tax 3.8%

Approximate Tax Due: \$1,150,100

**Approximate Tax Due with a
Deferred Sales Trust™ \$0**

