
THE STORAGE BRIEF

Tax Strategies for Self Storage Facility Sales

How to Keep More of What You've Earned

2026 Edition

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[!] Important Disclaimer: This guide provides general educational information about tax considerations related to selling commercial real estate. **It is not tax advice.** Tax laws are complex, change frequently, and vary by state. The examples in this guide use simplified scenarios for illustration purposes. Consult a qualified tax advisor -- CPA, tax attorney, or enrolled agent -- for guidance specific to your situation *before* making any decisions about selling your facility. Nothing in this guide should be relied upon as a substitute for professional tax counsel.

Why This Guide Exists

We've watched owners sell \$5 million facilities and write \$1.5 million checks to the IRS because they didn't plan ahead. We've also watched owners sell identical facilities and defer virtually 100% of their tax liability through strategies that were available to anyone -- they just needed to know about them in advance.

The difference between those outcomes isn't luck. It's planning. And the window for planning closes the moment you sign a purchase agreement.

This guide covers every major tax strategy available to self storage facility sellers. It's not a replacement for your CPA -- it's the conversation you need to have *with* your CPA, armed with the right questions.

1. Capital Gains Basics for Commercial Real Estate

When you sell your self storage facility for more than your adjusted cost basis, the profit is subject to capital gains tax. But "adjusted cost basis" and "profit" are more nuanced than most owners realize.

Understanding Your Cost Basis

Your cost basis isn't simply what you paid for the property. It's adjusted over time:

Starting basis: Original purchase price (including closing costs paid by the buyer at acquisition -- title insurance, recording fees, transfer taxes, survey costs, legal fees related to the purchase).

Add: Capital improvements over your ownership period. New buildings, roof replacements, paving, HVAC installations, security systems -- any improvement that adds value, extends useful life, or adapts the property to a new use. *Note: Routine repairs and maintenance do NOT increase your basis -- they're deductible operating expenses.*

Subtract: Accumulated depreciation. This is the critical one. Over the years, you've been depreciating buildings and improvements on your tax returns. Every dollar of depreciation you've claimed (or *should have* claimed) reduces your basis.

Your adjusted basis = Purchase price + Capital improvements – Accumulated depreciation

The Capital Gain Calculation

Capital gain = Sale price – Selling expenses – Adjusted basis

Selling expenses include broker commissions, transfer taxes, legal fees, title insurance, and other closing costs you pay as the seller.

Federal Capital Gains Tax Rates (2026, Under Current Law)

For assets held more than one year (long-term capital gains). *Note: These rates and thresholds assume continuation of the 2017 Tax Cuts and Jobs Act provisions, which are currently scheduled to sunset at the end of 2025. If Congress does not extend them, rates and brackets may change. These thresholds are also adjusted annually for inflation and are estimates for 2026.*

Filing Status	Taxable Income Range	Capital Gains Rate
Single	Up to \$48,350	0%
Single	\$48,351 - \$533,400	15%
Single	Over \$533,400	20%
Married Filing Jointly	Up to \$96,700	0%
Married Filing Jointly	\$96,701 - \$600,050	15%
Married Filing Jointly	Over \$600,050	20%

Net Investment Income Tax (NIIT)

High-income taxpayers face an additional 3.8% surtax on net investment income, including capital gains from real estate sales. This applies when your modified adjusted gross income exceeds \$200,000 (single) or \$250,000 (married filing jointly).

Effective top federal rate: 20% + 3.8% NIIT = 23.8%

State Capital Gains Taxes

States impose their own taxes on capital gains, ranging from 0% (states like Texas, Florida, Nevada, Wyoming, Washington, Tennessee) to over 13% (California). Some states tax capital gains at the same rate as ordinary income; others have preferential rates.

Combined maximum rate example:

- Federal: 23.8%
- California state: 13.3%
- **Total: 37.1%**

On a \$3 million gain, that's over **\$1.1 million in taxes**. This is why planning matters.

2. Depreciation Recapture: What Most Owners Don't Realize

This is the tax surprise that catches owners off guard. Even if your facility hasn't appreciated much, you may still owe significant taxes because of depreciation recapture.

How Depreciation Recapture Works

Over your ownership period, you've depreciated your buildings and improvements. Commercial real property is depreciated over 39 years (or 27.5 years for the residential rental portion, if any). Land is not depreciable.

When you sell, the IRS "recaptures" the depreciation you've claimed -- and taxes it at a flat **25%** rate, regardless of your income bracket. This is Section 1250 recapture.

Why This Matters: A Concrete Example

Original purchase: \$2,000,000

- Land allocation: \$400,000
- Building/improvements allocation: \$1,600,000

Ownership period: 20 years

Accumulated depreciation claimed: $\$1,600,000 \div 39 \text{ years} \times 20 \text{ years} =$ approximately **\$820,000**

Adjusted basis: $\$2,000,000 - \$820,000 = \$1,180,000$

Sale price: \$4,500,000 (after selling expenses)

Total gain: $\$4,500,000 - \$1,180,000 =$ **\$3,320,000**

This gain is split into two components:

- **Depreciation recapture:** \$820,000 taxed at 25% = **\$205,000**
- **Capital gain (above original basis):** \$2,500,000 taxed at 20% + 3.8% NIIT = **\$595,000**

Total federal tax: \$800,000

Add state taxes (let's say 5%): **\$166,000**

Total tax bill: approximately \$966,000 -- nearly 21.5% of the sale price.

The "Should Have Claimed" Trap

Here's a nuance that trips up many owners: the IRS taxes depreciation recapture based on the depreciation you *should have claimed* -- not just what you actually did claim. If your tax preparer failed to depreciate the property correctly (or you didn't claim depreciation at all), you're still taxed on the amount you were *entitled* to deduct.

If you discover that your depreciation has been calculated incorrectly over the years, work with your CPA to file amended returns or a Form 3115 (Change of Accounting Method) to correct the record before selling.

3. 1031 Exchanges: How They Work, Timelines, and Pitfalls

A 1031 exchange (Section 1031 of the Internal Revenue Code) is the most powerful tax deferral tool available to real estate investors. It allows you to defer *all* capital gains and depreciation recapture taxes by reinvesting sale proceeds into "like-kind" replacement property.

The key word is *defer* -- not eliminate. You're kicking the tax can down the road. But the road can be very long (your lifetime, if you plan correctly -- see the section on estate planning below).

How a 1031 Exchange Works

Step 1: Engage a Qualified Intermediary (QI) before closing. A QI is a third-party entity that holds your sale proceeds between the sale of your relinquished property and the purchase of your replacement property. You *cannot* touch the proceeds -- not even for a day. If the funds pass through your hands or your bank account, the exchange is disqualified.

Step 2: Close on the sale of your facility. Proceeds go directly from the closing agent to the QI.

Step 3: Identify replacement properties within 45 calendar days. Starting from the day your sale closes, you have exactly 45 days to identify potential replacement properties in

writing to your QI. You can identify up to:

- **3 properties** regardless of value (the "Three-Property Rule"), OR
- **Any number of properties** as long as their total fair market value doesn't exceed 200% of the relinquished property's sale price (the "200% Rule"), OR
- **Any number of properties** if you actually acquire 95% of the identified value within 180 days (the "95% Rule" -- rarely used because it's impractical)

Most sellers use the Three-Property Rule. Identify three, plan to close on one.

Step 4: Close on replacement property within 180 calendar days. From the day your sale closes, you have exactly 180 days to complete the purchase of at least one identified replacement property.

The Timeline Visualized

```

Day 0:      Your facility sells. Proceeds go to QI.
           ↓
Day 1-45:  IDENTIFICATION PERIOD
           Identify up to 3 replacement properties in writing.
           This deadline is FIRM. No extensions. Not even weekends.
           ↓
Day 46-180: CLOSING PERIOD
           Close on at least one identified replacement property.
           This deadline is also FIRM.
  
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Critical Rules for Full Tax Deferral

To defer 100% of the gain, you must:

- **Reinvest ALL of the equity.** If your facility sells for \$5M with a \$2M mortgage, your equity is \$3M. You must reinvest at least \$3M of equity into the replacement property.
- **Buy replacement property of EQUAL OR GREATER value.** If you sell for \$5M, the replacement must be worth at least \$5M.
- **Use all of the proceeds.** Any cash you take out of the exchange ("boot") is taxable.

Partial exchanges are allowed. If you can't or don't want to reinvest everything, you can complete a partial exchange and pay taxes only on the "boot" (the proceeds you don't reinvest).

What Qualifies as "Like-Kind"

"Like-kind" is broader than you might think. Any real property held for investment or business use qualifies. You can:

- Sell a self storage facility and buy another self storage facility ■
- Sell a self storage facility and buy an apartment complex ■
- Sell a self storage facility and buy a retail strip center ■
- Sell a self storage facility and buy vacant land (held for investment) ■

- Sell a self storage facility and buy a Delaware Statutory Trust (DST) interest ■

You **cannot** exchange into:

- Your primary residence ■
- Securities or stocks ■
- Partnership interests ■ (but see DSTs and tenancy-in-common structures)
- Property outside the U.S. (if selling U.S. property) ■

Common 1031 Exchange Pitfalls

Pitfall 1: Not engaging the QI before closing. If proceeds hit your bank account first, the exchange is dead. The QI must be in place before the sale closes.

Pitfall 2: Missing the 45-day identification deadline. This is the most common failure. Forty-five days sounds like a lot -- until you're actually trying to identify suitable replacement properties in a competitive market. Start looking for replacement properties *before* your facility even goes under contract.

Pitfall 3: Identified properties fall through. If you identify three properties and all three fall through (seller backs out, inspection issues, financing problems), you can't identify new ones after Day 45. You're stuck paying taxes on the original gain.

Mitigation strategy: Identify a DST (Delaware Statutory Trust) as one of your three properties. DSTs are always available and can serve as a "safety valve" if your other identified properties don't close.

Pitfall 4: Boot from mortgage imbalance. If you have a \$2M mortgage on the relinquished property but only take on a \$1.5M mortgage on the replacement, the \$500K "mortgage relief" is treated as boot and is taxable -- even if you reinvest all cash equity.

Pitfall 5: Related-party transactions. Selling to or buying from a related party (family members, commonly controlled entities) creates additional restrictions and a 2-year holding requirement.

Pitfall 6: Construction exchanges that go sideways. A "reverse exchange" or "improvement exchange" (where you buy the replacement first, or build improvements on it before closing) is possible but extremely complex and expensive. Use a specialized exchange attorney, not just a general real estate lawyer.

The Estate Planning Angle: Step-Up in Basis at Death

If you complete a 1031 exchange and hold the replacement property until death, your heirs receive it at a "stepped-up" basis under current estate tax law -- meaning the accumulated capital gains and deferred taxes effectively disappear. This is the closest thing to tax elimination in real estate.

The strategy chain: Sell → 1031 exchange → hold replacement property → heirs inherit at stepped-up basis → deferred taxes are never paid.

This is an incredibly powerful planning tool, particularly for owners in their 60s and 70s who may not need the cash proceeds from a sale and want to maximize the wealth they pass to the next generation.

4. Installment Sales: When They Make Sense

An installment sale (IRC Section 453) allows you to spread the recognition of capital gain over multiple years by receiving the sale price in installments rather than a lump sum.

How It Works

Instead of receiving the full purchase price at closing, the buyer pays you over time -- typically with a down payment, followed by monthly or annual payments with interest, often secured by the property itself (a seller-financed note).

You recognize the gain proportionally as you receive each payment. This can keep your income in lower tax brackets across multiple years rather than pushing it all into the top bracket in the year of sale.

When Installment Sales Make Sense

- **You don't need all the proceeds immediately.** You're comfortable receiving payments over 5-10+ years.
- **Spreading income across tax years saves significant taxes.** If a lump-sum sale would push you into the 20% + 3.8% bracket but installments keep you at 15%, the savings are substantial.
- **You want to create a steady income stream.** Seller-financed notes can function like an annuity, providing predictable monthly income in retirement.
- **A 1031 exchange isn't viable.** Perhaps you can't find suitable replacement property, or you simply don't want to own more real estate.

The Tax Math: A Simplified Example

Sale price: \$5,000,000 **Adjusted basis:** \$2,000,000 **Gain:** \$3,000,000 **Gross profit percentage:** $\$3M \div \$5M = 60\%$

Each payment received is 60% gain and 40% return of basis.

Year 1: Receive \$1,000,000 → Recognize \$600,000 gain **Years 2-5:** Receive \$1,000,000/year → Recognize \$600,000 gain/year

By spreading the gain across 5 years instead of recognizing \$3M in a single year, you may:

- Stay below the 20% capital gains threshold in some years
- Avoid the 3.8% NIIT in some years
- Reduce or eliminate state tax impact in certain states

Risks and Limitations

- **Buyer default risk.** If the buyer stops paying, you may need to foreclose on the property -- which you no longer control.
- **Interest rate risk.** The interest rate on the seller note may be below what you could earn investing the lump sum elsewhere.
- **Depreciation recapture is front-loaded.** Under IRC Section 453(i), depreciation recapture is taxed entirely in the year of sale -- even if you receive only a small down payment. This eliminates one of the key benefits for owners with large accumulated depreciation.
- **You're tied to the deal.** If you need liquidity later, selling a seller-financed note to a third party typically requires accepting a significant discount.

Installment Sale + Partial 1031 Exchange

You can combine strategies. For example: sell your facility, 1031 exchange a portion of the proceeds into a replacement property, and structure the remainder as an installment sale. This requires careful coordination between your QI, CPA, and attorney -- but it can optimize your tax position.

5. Opportunity Zones

The Tax Cuts and Jobs Act of 2017 created Opportunity Zones -- designated low-income census tracts where investments receive preferential tax treatment. While some of the original benefits have expired, Opportunity Zone investments still offer meaningful tax advantages.

Current Benefits (Post-2026)

As of 2026, the remaining key benefit of investing capital gains into a Qualified Opportunity Fund (QOF) is:

- **Permanent exclusion of gain on the QOF investment.** If you invest capital gains into a QOF and hold the investment for 10+ years, any appreciation on the QOF investment itself is tax-free. This means if you invest \$1M of capital gains into an Opportunity Zone fund that doubles to \$2M over 10 years, the \$1M of new appreciation is entirely excluded from tax.

Note: The original step-up in basis benefits (10% at 5 years, 15% at 7 years) have largely expired. To qualify for the 5-year step-up, investments needed to be made by December 31, 2021; for the 7-year step-up, by December 31, 2019. The original gain deferral period ends December 31, 2026, at which point deferred gains become taxable. For most 2026 sellers, the primary remaining benefit is the permanent exclusion of appreciation on the QOF investment itself (for holdings of 10+ years). Consult your CPA for current status based on your specific timeline.

When Opportunity Zones Make Sense for Storage Sellers

- You have a significant capital gain and want to defer + potentially reduce taxes
- You're comfortable with a long-term (10+ year), illiquid investment
- You can identify a qualified OZ fund with a credible real estate strategy
- You don't want the operational burden of a 1031 exchange replacement property

Caution

The Opportunity Zone landscape is full of mediocre funds marketed with tax benefits. The tax tail should not wag the investment dog. A bad investment in an Opportunity Zone is still a bad investment -- the tax savings don't compensate for poor returns. Evaluate OZ funds on their investment merits first, tax benefits second.

6. Cost Segregation Studies: A Pre-Sale Strategy

Cost segregation is a pre-sale tax planning strategy that most owners overlook -- and it can be worth six figures.

What Is Cost Segregation?

A cost segregation study is an engineering-based analysis that reclassifies building components into shorter depreciation categories. Instead of depreciating everything over 39 years, certain components (electrical, plumbing, site improvements, etc.) can be depreciated over 5, 7, or 15 years.

How It Applies to a Pre-Sale Strategy

If you haven't done a cost segregation study during your ownership, you may have years of "missed" accelerated depreciation that can be claimed retroactively through a "catch-up" deduction (via Form 3115, Change of Accounting Method).

The play: Commission a cost segregation study 1-2 years before selling. Claim the catch-up depreciation deduction on the tax return for the year the study is completed. This generates a significant tax deduction that offsets your ordinary income in that year -- potentially saving you \$50,000-\$200,000+ in taxes, depending on the facility's size and original cost.

Important Caveat

The accelerated depreciation you claim through cost segregation *will* be recaptured at 25% when you sell -- but the time value of money still works in your favor. You get the tax benefit now (reducing your current-year tax bill) and pay the recapture later (at the time of sale). If you're doing a 1031 exchange, the recapture is deferred along with the capital gain.

Typical Cost Segregation Results

For a self storage facility with a depreciable basis of \$2,000,000:

Component	Percentage Reclassified	Amount	Depreciation Life
Site improvements (paving, landscaping, signage, fencing)	10-15%	\$200K-\$300K	15-year
Personal property (doors, HVAC controls, security systems, electrical)	15-25%	\$300K-\$500K	5 or 7-year
Building shell (remaining)	60-75%	\$1.2M-\$1.5M	39-year

The reclassified components generate accelerated depreciation deductions that can produce a catch-up deduction of \$300,000-\$700,000+ -- resulting in immediate tax savings of \$75,000-\$175,000+ depending on your marginal rate.

Cost of a Cost Segregation Study

Typically \$5,000-\$15,000 depending on facility size and complexity. ROI is almost always 10:1 or better.

7. Entity Structure Considerations

How your facility is owned -- the entity structure -- affects how the sale is taxed and what strategies are available to you.

Common Entity Structures and Tax Implications

Sole Proprietorship / Disregarded Entity (Single-Member LLC)

- Gain flows directly to your personal tax return (Schedule D / Form 4797)
- Simplest structure -- no entity-level tax complications
- Full access to 1031 exchanges, installment sales, and all deferral strategies
- Self-employment tax generally does *not* apply to real property rental income or sale gain

Multi-Member LLC (Taxed as Partnership)

- Gain flows through to each member's personal return via K-1
- Each member can independently choose their tax strategy (one member does a 1031, another takes cash)
- Flexibility is a major advantage -- but requires coordination among members
- The LLC itself does not do a 1031 exchange; individual members do

S-Corporation

- Gain flows through to shareholders' personal returns
- **1031 exchange complication:** The S-Corp must do the exchange at the entity level. Individual shareholders cannot separately exchange their share. This limits flexibility.
- If the S-Corp distributes proceeds to shareholders instead of exchanging, those proceeds may be subject to additional tax at the shareholder level
- **Pre-sale consideration:** If your facility is in an S-Corp and you want to do a 1031 exchange, consult a tax attorney early -- restructuring may be advisable

C-Corporation

- Sale is subject to corporate income tax (21% federal) at the entity level
- Distributing after-tax proceeds to shareholders triggers a *second* layer of tax (dividend tax at 15-20% + 3.8% NIIT)
- **Total effective rate can exceed 40%** -- C-Corp ownership is the most tax-inefficient structure for a facility sale
- **Pre-sale consideration:** If your facility is in a C-Corp, explore converting to an LLC or S-Corp well before the sale. Conversion itself has tax implications and timing requirements (S-Corp election has a 5-year built-in gains rule)

The Entity Restructuring Conversation

If your facility is held in an entity structure that creates tax inefficiency (particularly a C-Corp or an S-Corp where individual 1031 exchange flexibility is needed), restructuring *before* the sale can save significant taxes. But entity conversions have their own tax consequences and timing requirements.

Start this conversation with your CPA and attorney at least 12-24 months before a sale. Some restructuring strategies require multi-year waiting periods to be effective.

8. Timing Strategies: Fiscal Year Considerations

When you close matters, not just whether you close.

Tax Year Timing

If you close your sale on December 15, 2025, the entire gain is taxable on your 2025 return (due April 15, 2026). If you close on January 5, 2026, the gain shifts to your 2026 return (due April 15, 2027). That 21-day difference gives you an additional 12 months before the tax bill is due.

Why this matters:

- An extra 12 months of investment returns on the tax money
- Time to implement additional strategies (charitable contributions, loss harvesting)
- Flexibility to manage your adjusted gross income for the year

Year-End Strategies

If you're closing late in the year:

- **Accelerate deductions.** Prepay deductible expenses, make charitable contributions, fund retirement accounts
- **Harvest investment losses.** Sell underperforming investments to offset capital gains
- **Consider the installment sale clock.** Timing the first payment to January of the following year shifts gain recognition

The Two-Year Income Spike

Selling a facility typically creates a massive income spike in one year. This can push you into higher brackets for:

- Federal capital gains
- State income tax
- NIIT threshold

- Medicare premium surcharges (IRMAA)
- Social Security taxation thresholds

Work with your CPA to model the "cascade effects" of a large gain -- the total tax cost may be higher than you expect when you account for all the brackets and thresholds that shift.

9. Estimated Tax Impact Scenarios

Let's look at approximate tax scenarios at different sale prices. These assume: 20+ years of ownership, original purchase price of approximately 40% of current sale price, accumulated depreciation of approximately \$500K-\$2.5M depending on deal size, married filing jointly, high-income state (5% state rate), and no deferral strategies applied.

Scenario 1: \$3 Million Sale

Item	Amount
Sale price	\$3,000,000
Adjusted basis	\$750,000
Total gain	\$2,250,000
Depreciation recapture portion	\$500,000
Capital gain portion	\$1,750,000
Federal tax (recapture at 25%)	\$125,000
Federal tax (capital gain at 20% + 3.8%)	\$416,500
State tax (5%)	\$112,500
Estimated total tax	~\$654,000
Effective tax rate on gain	~29%
Net after-tax proceeds	~\$2,346,000

Scenario 2: \$5 Million Sale

Item	Amount
Sale price	\$5,000,000
Adjusted basis	\$1,200,000
Total gain	\$3,800,000
Depreciation recapture portion	\$800,000
Capital gain portion	\$3,000,000
Federal tax (recapture at 25%)	\$200,000
Federal tax (capital gain at 20% + 3.8%)	\$714,000
State tax (5%)	\$190,000
Estimated total tax	~\$1,104,000
Effective tax rate on gain	~29%
Net after-tax proceeds	~\$3,896,000

Scenario 3: \$10 Million Sale

Item	Amount
Sale price	\$10,000,000
Adjusted basis	\$2,500,000
Total gain	\$7,500,000
Depreciation recapture portion	\$1,500,000
Capital gain portion	\$6,000,000
Federal tax (recapture at 25%)	\$375,000
Federal tax (capital gain at 20% + 3.8%)	\$1,428,000
State tax (5%)	\$375,000
Estimated total tax	~\$2,178,000
Effective tax rate on gain	~29%
Net after-tax proceeds	~\$7,822,000

Scenario 4: \$20 Million Sale

Item	Amount
Sale price	\$20,000,000
Adjusted basis	\$5,000,000
Total gain	\$15,000,000
Depreciation recapture portion	\$2,500,000
Capital gain portion	\$12,500,000
Federal tax (recapture at 25%)	\$625,000
Federal tax (capital gain at 20% + 3.8%)	\$2,975,000
State tax (5%)	\$750,000
Estimated total tax	~\$4,350,000
Effective tax rate on gain	~29%
Net after-tax proceeds	~\$15,650,000

What Deferral Strategies Can Save

Sale Price	Tax Without Planning	Tax With 1031 Exchange	Savings
\$3M	~\$654,000	\$0 (deferred)	\$654,000
\$5M	~\$1,104,000	\$0 (deferred)	\$1,104,000
\$10M	~\$2,178,000	\$0 (deferred)	\$2,178,000
\$20M	~\$4,350,000	\$0 (deferred)	\$4,350,000

Remember: 1031 exchange defers the tax -- it doesn't eliminate it (unless you hold the replacement property until death and heirs receive a stepped-up basis).

Even a partial 1031 exchange (reinvesting 50% of proceeds) cuts the current-year tax bill roughly in half.

10. Building Your Tax Planning Team

Tax planning for a facility sale isn't a solo sport. Here's the team you need and when to engage them.

Your CPA (12+ Months Before Sale)

Your CPA should be involved earliest. They need to:

- Model the tax impact of the sale under different scenarios
- Review your entity structure for optimization opportunities
- Identify whether a cost segregation study makes sense
- Coordinate with your attorney on entity restructuring if needed
- Advise on timing (which tax year to close in)
- Ensure your depreciation records are accurate

What to look for: A CPA with specific experience in commercial real estate transactions. General CPAs who primarily handle W-2 tax returns may not be equipped for the complexity of a facility sale. Ask: "How many commercial real estate sales have you handled tax planning for in the past three years?"

Your Tax Attorney (6-12 Months Before Sale, If Needed)

A tax attorney is valuable when:

- You're considering entity restructuring (C-Corp to LLC conversion, etc.)
- Your estate plan intersects with the sale strategy
- The transaction involves complex structures (installment sale + partial 1031, etc.)
- You're navigating partnership dissolution concurrent with the sale
- Multi-state tax issues are in play

Your Qualified Intermediary (Before PSA Execution)

If you're doing a 1031 exchange, your QI must be engaged *before* the sale closes. But don't wait until the last minute -- engage them during the listing process so they're ready when a buyer appears.

What to look for: A QI that is bonded, insured, and uses segregated accounts (not commingled funds). Ask about their E&O insurance coverage and whether client funds are held in FDIC-insured accounts. The QI is holding your life's proceeds -- due diligence matters.

Your Financial Advisor (Pre-Sale)

If you're taking cash proceeds (not doing a 1031), engage a financial advisor before closing to plan for:

- Setting aside tax reserves (do NOT invest your tax money)
- Investment diversification strategy for the proceeds
- Income planning in retirement
- Estate planning implications

The Coordination Timeline

Timeframe	Action
12-24 months before sale	Engage CPA -- model tax scenarios, evaluate entity structure
12 months before sale	Commission cost segregation study (if applicable)
6-12 months before sale	Engage tax attorney (if entity restructuring needed)
6 months before sale	Begin identifying 1031 exchange replacement properties
Before PSA execution	Engage Qualified Intermediary
Before closing	Final tax projections from CPA -- confirm strategy
At closing	QI receives funds (1031) or proceeds distributed per plan
Post-closing (Day 1-45)	Identify replacement properties in writing (1031)
Post-closing (Day 1-180)	Close on replacement property (1031)
Tax filing year	File return with CPA, report sale and any elections

The Bottom Line

The difference between paying \$1.1 million in taxes and deferring the entire amount isn't the sale itself -- it's the planning that happens 6-18 months before the sale. Every strategy in this guide is legal, established, and widely used by sophisticated real estate investors. The only reason more self storage owners don't take advantage of them is that they don't know about them in time -- or they don't start planning early enough.

Start the conversation with your CPA now. Not when you have a buyer. Not when you're under contract. Now.

Cross-Reference Guides

- For the complete sale process from market timing to closing, see *The 2026 Self Storage Seller's Playbook*
- For understanding what institutional buyers evaluate, see *What PE Buyers Actually Look For: An Insider's Guide*
- For a step-by-step walkthrough of the sale experience, see *What to Expect When Selling Your Self Storage Facility*

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