

PROPERTY AND INVESTOR DATA SUMMARY

FORM 1

Property Address _____
Prepared By Greg Swann

Investor _____
Date 8/15/2005

PURCHASE PRICE \$ 225,000 (a) LAND ALLOCATION 20%
IMPROVEMENT ALLOCATION (%) x 80% %
IMPROVEMENT VALUE \$ 180,000 (b)

	Amount		Rate (%)		Annual Interest
1st Loan	\$ <u>0</u>	x	<u>6.50%</u>	=	\$ <u>0</u>
	+				+
2nd Loan	\$ _____	x	_____	=	\$ <u>0</u>

TOTAL= \$ 0 (c) = \$ 0 (d)

Down Payment..... \$ 225,000

Closing Costs..... + \$ 3,500 (e)

Initial Investment..... = \$ 228,500 (f)

Gross Scheduled Income (monthly rent \$ 1,050 x 12) = \$ 12,600 (g)

Annual Vacancy Allowance (10% x (g)) = \$ 1,260 (h)
%

ANNUAL OPERATING EXPENSES

Property Taxes	<u>1,623</u>
Insurance	<u>600</u>
Utilities	<u>0</u>
Maintenance	<u>600</u>
Other.....	<u>460</u>
.....	<u>0</u>
.....	
TOTAL.....	\$ <u>3,283</u> (i)

Investor's Tax Bracket (%)..... 28% (j)
Holding Period..... 8 yrs. (k)
Annual Property
Appreciation Rate (%)..... 11.00% (l)
Projected Cost of Sale (%)..... 9.00% (m)

Investor's Pre-Tax	
Investment Rate (%).....	<u>2.00%</u>
1.00 minus <u>28%</u> (j)	= x <u>0.72</u>
tax bracket	
Investor's After-Tax	
Investment Rate.....	<u>1.44%</u> (n)

CASH FLOW BEFORE TAXES

Gross Scheduled Income.....		\$	<u>12,600</u>	(g)
LESS: Vacancy Allowance.....	-	\$	<u>1,260</u>	(h)
<u>GROSS OPERATING INCOME</u>	=	\$	11,340	
LESS: Total Operating Expenses.....	-	\$	<u>3,283</u>	(i)
<u>NET OPERATING INCOME</u>	=	\$	8,057	
LESS: Annual Interest Payments.....	-		<u>0</u>	(d)
<u>CASH FLOW BEFORE TAXES</u>	=	\$	8,057	

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CASH FLOW AFTER TAXES

NET OPERATING INCOME (Form 2).....

LESS: Annual Interest Payments.....

LESS: COST RECOVERY (Compute Below)

To Calculate Cost Recovery:

Improvement Value	\$ 180,000	(b)
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Divided by

Cost Recovery Period ÷ 27.5 yrs.

Annual Cost Recovery	\$	6,545
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TAXABLE INCOME OR (LOSS).....

TIMES: Investor's Tax Bracket (%).....

TAX SAVINGS (if negative)

or.....

TAX LIABILITY (if positive)

CASH FLOW BEFORE TAXES (Form 2).....

TAX SAVINGS OR LIABILITY.....

CASH FLOW AFTER TAXES.....

\$ 8,057

- \$ 0 d

- 6,545

= \$ 1,512

x **28%** **j**

= \$ 423

**CHANGE
SIGN**

\$ 8,057 *

+ -423

= \$ 7,634

*** If CFBT is negative: A tax savings will reduce the negative cash flow.
A tax liability will increase the negative cash flow.**

*** If CFBT is positive: A tax savings will increase the positive cash flow.
A tax liability will reduce the positive cash flow.**

TAX DUE ON SALE

Purchase Price.....
 Annual Appreciation Rate (%).....
 Holding Period.....

\$ 225,000 (a) PV
11.00% (l) i
8 yrs. (k) n

PROJECTED SALES PRICE: (Solve for FV).....

LESS: Projected Cost of Sale(%): 9.00% (m) x (o)

LESS: Adjusted Basis-

To Calculate Adjusted Basis:

Purchase Price..... \$ 225,000 (a)

PLUS: Closing Costs..... + 3,500 (e)

LESS: Total Cost Recovery:

\$ 6,545 (Annual Cost)
 Recovery (Form 3)
 x 8 Holding Period (k) - 52,360 (q)

Adjusted Basis..... \$ 176,140

\$ 518,521 (o) FV
 - \$ 46,667 (p)

- 176,140
 = 295,714 (r)

TOTAL TAXABLE GAIN ON SALE.....

To Calculate Recapture Tax:

Recapture Total Cost
 Recovery Taken \$ 52,360 (q)

Tax Rate (%) x 25%

Tax Due from Recapture
 of Cost Recovery = \$ 13,090

\$ 13,090

To Calculate Balance of Capital Gains Tax:

Total Taxable Gain \$ 295,714 (r)

Less: Total Cost of
 Recovery Taken (Recapture) - 52,360 (q)

Balance of Capital Gain = 243,354

Times Capital Gains Tax Rate (%) x 15%

Balance of Capital Gains
 Tax Due From Sale = \$ 36,503

+ 36,503

TOTAL TAX DUE ON SALE

= \$ 49,593

RESIDENTIAL INVESTMENT PERFORMANCE SUMMARY

PROJECTED SALES PRICE:.....

= \$ 518,521 (o)

LESS: Projected Cost of Sale:.....

- \$ 46,667 (p)

Mortgage Balance Due:.....

- \$ 0 (c)

Tax Due on Sale (Form 4):.....

- \$ 49,593

AFTER-TAX PROCEEDS FROM SALE:.....

= \$ 422,261 (S)

CASH FLOW AFTER TAX (Form 3):.....

\$ 7,634

Investor After-Tax Rate of Return (%):.....

(n) 1.44%

Holding Period:.....

(k) 8 yrs.

AMOUNT ACCUMULATED:.....

= 64,240 * (T)

PMT

i

n

SOLVE
FOR

FV

TOTAL FUTURE WEALTH: ((S) + (T)).....

= \$ 486,501

FV

INITIAL INVESTMENT:.....

(f) \$ 228,500

PV

HOLDING PERIOD:.....

(k) 8 yrs.

n

SOLVE
FOR

AFTER-TAX RATE OF RETURN/YIELD (%):.....

= 9.91%

i

***Note:** If CFAT is positive, the amount accumulated will also be positive and represents the amount that annual cash flows would earn if invested in a relatively safe and liquid type investment during the holding period.

If CFAT is negative, the amount accumulated will also be negative, and represents the after-tax lost opportunity cost of using investment capital to meet the annual deficit for the duration of the holding period.