

# 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>225,000</u>	x	<u>6.50%</u>	=	\$ <u>14,625</u>
	+				+
2nd Loan	\$ _____	x	_____	=	\$ <u>0</u>

TOTAL= \$ 225,000 (c) = \$ 14,625 (d)

Down Payment..... \$ 0

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

Initial Investment..... = \$ 3,500 (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	1,623				
Insurance	600				
Utilities	0				
Maintenance	600				
Other.....	460				
.....	0				
.....					
TOTAL.....	\$ <span style="border: 1px solid black; padding: 2px;">3,283</span>				(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)

<b>Investor's Pre-Tax</b>	
Investment Rate (%).....	<u>2.00%</u>
1.00 minus <u>28%</u> (j) = x	<u>0.72</u>
tax bracket	
<b>Investor's After-Tax</b>	
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)
<b><u>GROSS OPERATING INCOME</u></b> .....	=	\$	<b>11,340</b>	
LESS: Total Operating Expenses.....	-	\$	<u>3,283</u>	(i)
<b><u>NET OPERATING INCOME</u></b> .....	=	\$	<b>8,057</b>	
LESS: Annual Interest Payments.....	-		<u>14,625</u>	(d)
<b><u>CASH FLOW BEFORE TAXES</u></b> .....	=	\$	<b>-6,568</b>	

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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)
Divided by			
Cost Recovery Period	÷	27.5 yrs.	
Annual Cost Recovery	\$	6,545	

	\$	8,057
	-	14,625 (d)
		6,545
	= \$	-13,113

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.....

	x	28% (j)
	= \$	-3,672
		-6,568 *
	+	3,672
	= \$	-2,896

CHANGE SIGN

- \* 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.....	\$ <u>225,000</u>	(a)	PV
Annual Appreciation Rate (%).....	<u>11.00%</u>	(l)	i
Holding Period.....	<u>8 yrs.</u>	(k)	n

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

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

LESS: Adjusted Basis-

	\$ <u>518,521</u>	(o)	FV
	- \$ <u>46,667</u>	(p)	
	- <u>176,140</u>		
	= <u>295,714</u>	(r)	

**To Calculate Adjusted Basis:**

Purchase Price.....	\$ <u>225,000</u>	(a)	
PLUS: Closing Costs.....	+ <u>3,500</u>	(e)	
LESS: Total Cost Recovery:			
\$ <u>6,545</u> (Annual Cost)			
Recovery (Form 3)			
x <u>8</u> Holding Period (k)	- <u>52,360</u>	(q)	
Adjusted Basis.....	\$ <u>176,140</u>		

**TOTAL TAXABLE GAIN ON SALE**.....

**To Calculate Recapture Tax:**

Recapture Total Cost			
Recovery Taken	\$ <u>52,360</u>	(q)	
Tax Rate (%)	x <u>25%</u>		
Tax Due from Recapture of Cost Recovery	= \$ <u>13,090</u>		

	\$ <u>13,090</u>		
	+ <u>36,503</u>		

**To Calculate Balance of Capital Gains Tax:**

Total Taxable Gain	\$ <u>295,714</u>	(r)	
Less: Total Cost of Recovery Taken (Recapture)	- <u>52,360</u>	(q)	
Balance of Capital Gain	= <u>243,354</u>		
Times Capital Gains Tax Rate (%)	x <u>15%</u>		
Balance of Capital Gains Tax Due From Sale	= \$ <u>36,503</u>		

**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:**.....

- \$ 225,000 (c)

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

- \$ 49,593

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

= \$ 197,261 (S)

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

\$ -2,896

PMT

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

(n) 1.44%

i

**Holding Period:**.....

(k) 8 yrs.

n

SOLVE FOR

**AMOUNT ACCUMULATED:**.....

= -24,370 \* (T)

FV

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

= \$ 172,891

FV

**INITIAL INVESTMENT:**.....

(f) \$ 3,500

PV

**HOLDING PERIOD:**.....

(k) 8 yrs.

n

SOLVE FOR

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

= 62.82%

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.