

# 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>213,750</u>	x	<u>6.50%</u>	=	\$ <u>13,894</u>
	+				+
2nd Loan	\$ _____	x	_____	=	\$ <u>0</u>

TOTAL= \$ 213,750 (c) = \$ 13,894 (d)

Down Payment..... \$ 11,250

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

Initial Investment..... = \$ 14,750 (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 (%)..... 2.00%  
1.00 minus 28% (j) = x 0.72  
tax bracket

Investor's After-Tax  
Investment Rate..... 1.44% (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>13,894</u>	(d)
<b><u>CASH FLOW BEFORE TAXES</u></b> .....	=	\$	<b>-5,837</b>	

---

The preparer accepts no expressed or implied liability due to the contents of this report. Although all facts, figured and projections have been obtained from sources deemed reliable and are believed to be correct, no guarantee or liability is assumed by its author. These forms assist in the analysis of real estate investments and are not intended to comprehensively analyze the tax ramifications for an individual investor. As with any investment, your personal tax counsel should be contacted.

---

## CASH FLOW AFTER TAXES

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

**LESS: Annual Interest Payments.....**

**LESS: COST RECOVERY (Compute Below)**

### To Calculate Cost Recovery:

<b>Improvement Value</b>	<b>\$ 180,000</b>	<b>(b)</b>
--------------------------	-------------------	------------

Divided by

**Cost Recovery Period**                      ÷                      **27.5 yrs.**

<b>Annual Cost Recovery</b>	<b>\$</b>	<b>6,545</b>
-----------------------------	-----------	--------------

**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**

- \$ 13,894 (d)

- **6,545**

= \$ -12,382

**x**      **28%** **j**

= \$ -3,467

**CHANGE  
SIGN**

**\$ -5,837 \***

**+ 3,467**

= \$ -2,370

\* 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:**.....

- \$ 213,750 (c)

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

- \$ 49,593

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

= \$ 208,511 (S)

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

\$ -2,370

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

(n) 1.44%

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

(k) 8 yrs.

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

= -19,944 \* (T)

PMT

i

n

SOLVE  
FOR

FV

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

= \$ 188,567

FV

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

(f) \$ 14,750

PV

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

(k) 8 yrs.

n

SOLVE  
FOR

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

= 37.51%

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.