

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>180,000</u>	x	<u>6.50%</u>	=	\$ <u>11,700</u>
	+				+
2nd Loan	\$ _____	x	_____	=	\$ <u>0</u>
TOTAL=	\$ <u>180,000</u> (c)			=	\$ <u>11,700</u> (d)

Down Payment..... \$ 45,000

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

Initial Investment..... = \$ 48,500 (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>11,700</u>	(d)
<u>CASH FLOW BEFORE TAXES</u>	=	\$	-3,643	

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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			
	-	11,700			(d)
		6,545			
	= \$	-10,188			

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)
	= \$	-2,853			
					CHANGE SIGN
	\$	-3,643	*		
	+	2,853			
	= \$	-790			

- * 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:.....

- \$ 180,000 (c)

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

- \$ 49,593

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

= \$ 242,261 (S)

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

\$ -790

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

(n) 1.44%

Holding Period:.....

(k) 8 yrs.

AMOUNT ACCUMULATED:.....

= -6,648 * (T)

PMT
i
n
SOLVE FOR
FV

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

= \$ 235,613

FV

INITIAL INVESTMENT:.....

(f) \$ 48,500

PV

HOLDING PERIOD:.....

(k) 8 yrs.

n

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

= 21.84%

SOLVE FOR
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.