

PROPERTY AND INVESTOR DATA SUMMARY

FORM 1

Property Address Coldwater Springs
 Prepared By _____

Investor _____
 Date _____

PURCHASE PRICE \$ 120,000 (a) LAND ALLOCATION 20%
 IMPROVEMENT ALLOCATION (%) x 80% %
 IMPROVEMENT VALUE \$ 96,000 (b)

	Amount		Rate (%)		Annual Interest
1st Loan	\$ <u>96,000</u>	x	<u>7.00%</u>	=	\$ <u>6,720</u>
	+				+
2nd Loan	\$ <u>0</u>	x	<u>0.00%</u>	=	\$ <u>0</u>
TOTAL=	\$ 96,000 (c)			=	\$ 6,720 (d)

Down Payment..... \$ 24,000

Closing Costs..... + \$ 0 (e)

Initial Investment..... = \$ 24,000 (f)

Gross Scheduled Income (monthly rent \$ 1,000 x 12) = \$ 12,000 (g)

Annual Vacancy Allowance (10% x (g)) = \$ 1,200 (h)
 %

ANNUAL OPERATING EXPENSES

Property Taxes	1,590				
Insurance	600				
Utilities	0				
Maintenance	600				
Other.....	312				
.....	0				
.....					
TOTAL.....	\$ 3,102 (i)				

Investor's Tax Bracket (%)..... 28% (j)

Holding Period..... 8 yrs. (k)

Annual Property

Appreciation Rate (%)..... 4.00% (l)

Projected Cost of Sale (%)..... 8.00% (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>12,000</u>	(g)
LESS: Vacancy Allowance.....	-	\$ <u>1,200</u>	(h)
<u>GROSS OPERATING INCOME</u>	=	\$ 10,800	
LESS: Total Operating Expenses.....	-	\$ <u>3,102</u>	(i)
<u>NET OPERATING INCOME</u>	=	\$ 7,698	
LESS: Annual Interest Payments.....	-	<u>6,720</u>	(d)
<u>CASH FLOW BEFORE TAXES</u>	=	\$ 978	

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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	\$	96,000	b
Divided by			
Cost Recovery Period	÷	27.5 yrs.	
Annual Cost Recovery	\$	3,491	

	\$	7,698			
	-	6,720			d
		3,491			
	= \$	-2,513			

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.....

		28%	j		
	x	-704			
					CHANGE SIGN
	\$	978	*		
	+	704			
	= \$	1,682			

- * 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>120,000</u>	(a)	PV
Annual Appreciation Rate (%).....	<u>4.00%</u>	(l)	i
Holding Period.....	<u>8 yrs.</u>	(k)	n

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

LESS: Projected Cost of Sale(%): 8.00% (m) x (o)

LESS: Adjusted Basis-

	\$	<u>164,228</u>	(o)	FV
	\$	<u>13,138</u>	(p)	
		-		
		92,072		
		=		
		<u>59,018</u>	(r)	

To Calculate Adjusted Basis:

Purchase Price.....	\$	<u>120,000</u>	(a)	
PLUS: Closing Costs.....	+	<u>0</u>	(e)	
LESS: Total Cost Recovery:				
\$ <u>3,491</u> (Annual Cost)				
Recovery (Form 3)				
x <u>8</u> Holding Period (k)		<u>27,928</u>	(q)	
		-		
Adjusted Basis.....		\$ <u>92,072</u>		

TOTAL TAXABLE GAIN ON SALE.....

To Calculate Recapture Tax:

Recapture Total Cost		<u>27,928</u>	(q)	
Recovery Taken	\$	<u>27,928</u>	(q)	
Tax Rate (%)	x	<u>25%</u>		
Tax Due from Recapture	=	<u>6,982</u>		
of Cost Recovery	\$	<u>6,982</u>		

	\$	<u>6,982</u>	
		+	
		<u>4,664</u>	

To Calculate Balance of Capital Gains Tax:

Total Taxable Gain	\$	<u>59,018</u>	(r)	
Less: Total Cost of				
Recovery Taken (Recapture)	-	<u>27,928</u>	(q)	
Balance of Capital Gain	=	<u>31,090</u>		
Times Capital Gains Tax Rate (%)	x	<u>15%</u>		
Balance of Capital Gains				
Tax Due From Sale	= \$	<u>4,664</u>		

TOTAL TAX DUE ON SALE = \$ 11,646

RESIDENTIAL INVESTMENT PERFORMANCE SUMMARY

PROJECTED SALES PRICE:.....

= \$ 164,228 (o)

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

- \$ 13,138 (p)

Mortgage Balance Due:.....

- \$ 96,000 (c)

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

- \$ 11,646

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

= \$ 43,444 (S)

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

\$ 1,682

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

(n) 1.44%

Holding Period:.....

(k) 8 yrs.

AMOUNT ACCUMULATED:.....

= 14,154 * (T)

PMT
i
n
SOLVE FOR
FV

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

= \$ 57,598

INITIAL INVESTMENT:.....

(f) \$ 24,000

HOLDING PERIOD:.....

(k) 8 yrs.

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

= 11.56%

FV
PV
n
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.