

PROPERTY AND INVESTOR DATA SUMMARY

FORM 1

Property Address Coldwater Springs
 Prepared By _____

Investor _____
 Date _____

PURCHASE PRICE \$ 100,000 (a) LAND ALLOCATION 20%
 IMPROVEMENT ALLOCATION (%) x 80% %
 IMPROVEMENT VALUE \$ 80,000 (b)

| | Amount | | Rate (%) | | Annual Interest |
|---------------|--|---|--------------|---|---|
| 1st Loan | \$ <u>75,000</u> | x | <u>7.00%</u> | = | \$ <u>5,250</u> |
| | + | | | | + |
| 2nd Loan | \$ <u>0</u> | x | <u>0.00%</u> | = | \$ <u>0</u> |
| TOTAL= | \$ 75,000 (c) | | | = | \$ 5,250 (d) |

Down Payment..... \$ 25,000

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

Initial Investment..... = \$ 25,000 (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 | <u>1,590</u> |
| Insurance | <u>600</u> |
| Utilities | <u>0</u> |
| Maintenance | <u>600</u> |
| Other..... | <u>312</u> |
| | <u>0</u> |
| | |
| 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> | = | \$ <u>10,800</u> | |
| LESS: Total Operating Expenses..... | - | \$ <u>3,102</u> | (i) |
| <u>NET OPERATING INCOME</u> | = | \$ <u>7,698</u> | |
| LESS: Annual Interest Payments..... | - | <u>5,250</u> | (d) |
| <u>CASH FLOW BEFORE TAXES</u> | = | \$ <u>2,448</u> | |

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CASH FLOW AFTER TAXES

| | |
|--|---|
| NET OPERATING INCOME (Form 2)..... | \$ <u>7,698</u> |
| LESS: Annual Interest Payments..... | - \$ <u>5,250</u> d |
| LESS: COST RECOVERY (Compute Below) | |
| <div style="border: 1px solid black; padding: 5px;"> <p>To Calculate Cost Recovery:</p> <p>Improvement Value \$ <u>80,000</u> b</p> <p>Divided by</p> <p> Cost Recovery Period ÷ <u>27.5 yrs.</u></p> <p>Annual Cost Recovery \$ 2,909</p> </div> | |
| TAXABLE INCOME OR (LOSS)..... | - <u>2,909</u> = \$ -461 |
| TIMES: Investor's Tax Bracket (%)..... | x <u>28%</u> j |
| TAX SAVINGS (if negative) or..... | = \$ -129 |
| TAX LIABILITY (if positive) | CHANGE SIGN ↓ |
| CASH FLOW BEFORE TAXES (Form 2)..... | \$ <u>2,448</u> * |
| TAX SAVINGS OR LIABILITY..... | + <u>129</u> ← |
| CASH FLOW AFTER TAXES..... | = \$ 2,577 |

* 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.....

| | | | |
|----|---------|-----|----|
| \$ | 100,000 | (a) | PV |
| | 4.00% | (l) | i |
| | 8 yrs. | (k) | n |

PROJECTED SALES PRICE: (Solve for FV).....
 LESS: Projected Cost of Sale(%): 8.00% ((m) x (o))
 LESS: Adjusted Basis-

| | | | |
|----|---------|-----|----|
| \$ | 136,857 | (o) | FV |
| - | 10,949 | (p) | |
| | 76,728 | | |
| = | 49,180 | (r) | |

To Calculate Adjusted Basis:

| | | | | |
|-----------------------------------|-----|---------|-----|--|
| Purchase Price..... | \$ | 100,000 | (a) | |
| PLUS: Closing Costs..... | + | 0 | (e) | |
| LESS: Total Cost Recovery: | | | | |
| \$ 2,909 (Annual Cost) | | | | |
| Recovery (Form 3) | | | | |
| x 8 Holding Period | (k) | 23,272 | (q) | |
| Adjusted Basis..... | \$ | 76,728 | | |

TOTAL TAXABLE GAIN ON SALE.....
To Calculate Recapture Tax:

| | | | | |
|---|----|--------|-----|--|
| Recapture Total Cost Recovery Taken | \$ | 23,272 | (q) | |
| Tax Rate (%) | x | 25% | | |
| Tax Due from Recapture of Cost Recovery | = | 5,818 | | |

| | | |
|----|-------|--|
| \$ | 5,818 | |
| + | 3,886 | |

To Calculate Balance of Capital Gains Tax:

| | | | | |
|--|----|--------|-----|--|
| Total Taxable Gain | \$ | 49,180 | (r) | |
| Less: Total Cost of Recovery Taken (Recapture) | - | 23,272 | (q) | |
| Balance of Capital Gain | = | 25,908 | | |
| Times Capital Gains Tax Rate (%) | x | 15% | | |
| Balance of Capital Gains Tax Due From Sale | = | 3,886 | | |

TOTAL TAX DUE ON SALE = \$ 9,704

RESIDENTIAL INVESTMENT PERFORMANCE SUMMARY

PROJECTED SALES PRICE:.....

= \$ 136,857 (o)

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

- \$ 10,949 (p)

Mortgage Balance Due:.....

- \$ 75,000 (c)

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

- \$ 9,704

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

= \$ 41,204 (S)

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

\$ 2,577

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

(n) 1.44%

Holding Period:.....

(k) 8 yrs.

AMOUNT ACCUMULATED:.....

= 21,686 * (T)

PMT
i
n
SOLVE FOR
FV

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

= \$ 62,890

FV

INITIAL INVESTMENT:.....

(f) \$ 25,000

PV

HOLDING PERIOD:.....

(k) 8 yrs.

n
SOLVE FOR

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

= 12.22%

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.