

# PROPERTY AND INVESTOR DATA SUMMARY

FORM 1

Property Address Watson Circle  
 Prepared By \_\_\_\_\_

Investor \_\_\_\_\_  
 Date \_\_\_\_\_

PURCHASE PRICE \$ 115,000 (a) LAND ALLOCATION 20%  
 IMPROVEMENT ALLOCATION (%) x 80% %  
 IMPROVEMENT VALUE \$ 92,000 (b)

	Amount		Rate (%)		Annual Interest
1st Loan	\$ <u>92,000</u>	x	<u>6.50%</u>	=	\$ <u>5,980</u>
	+				+
2nd Loan	\$ _____	x	_____	=	\$ <u>0</u>
<b>TOTAL=</b>	<b>\$ <span style="border: 1px solid black; padding: 2px;">92,000</span></b> (c)			=	<b>\$ <span style="border: 1px solid black; padding: 2px;">5,980</span></b> (d)

Down Payment..... \$ 23,000

Closing Costs..... + \$ 3,000 (e)

Initial Investment..... = \$ 26,000 (f)

Gross Scheduled Income (monthly rent \$ 900 x 12) = \$ 10,800 (g)

Annual Vacancy Allowance ( 10% x (g) ) = \$ 1,080 (h)

%

**ANNUAL OPERATING EXPENSES**

Property Taxes	1,149				
Insurance	600				
Utilities	0				
Maintenance	600				
Other.....	348				
.....	0				
.....					
<b>TOTAL.....</b>	<b>\$ <span style="border: 1px solid black; padding: 2px;">2,697</span></b> (i)				

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

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

Annual Property

Appreciation Rate (%)..... 5.00% (l)

Projected Cost of Sale (%)..... 7.00% (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>10,800</u>	(g)
LESS: Vacancy Allowance.....	-	\$ <u>1,080</u>	(h)
<b><u>GROSS OPERATING INCOME</u></b> .....	=	\$ <b><u>9,720</u></b>	
LESS: Total Operating Expenses.....	-	\$ <u>2,697</u>	(i)
<b><u>NET OPERATING INCOME</u></b> .....	=	\$ <b><u>7,023</u></b>	
LESS: Annual Interest Payments.....	-	<u>5,980</u>	(d)
<b><u>CASH FLOW BEFORE TAXES</u></b> .....	=	\$ <b><u>1,043</u></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	\$	92,000	b	
Divided by				
Cost Recovery Period	÷	27.5 yrs.		
Annual Cost Recovery	\$	3,345		

	\$	7,023			
	-	5,980			d
		-			
		3,345			
	= \$	-2,302			

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		
	= \$	-645			
					CHANGE SIGN
	\$	1,043	*		
	+	645			
	= \$	1,688			

\* 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>115,000</u>	(a)	PV
Annual Appreciation Rate (%).....	<u>5.00%</u>	(l)	i
Holding Period.....	<u>8 yrs.</u>	(k)	n

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

LESS: Projected Cost of Sale(%): 7.00% (m) x (o)

LESS: Adjusted Basis-

\$ <u>169,907</u>	(o)	FV
- \$ <u>11,894</u>	(p)	
= <u>66,774</u>	(r)	

**To Calculate Adjusted Basis:**

Purchase Price.....	\$ <u>115,000</u>	(a)	
PLUS: Closing Costs.....	+ <u>3,000</u>	(e)	
<b>LESS: Total Cost Recovery:</b>			
\$ <u>3,345</u> (Annual Cost)			
Recovery (Form 3)			
x <u>8</u> Holding Period (k)	- <u>26,760</u>	(q)	
Adjusted Basis.....	\$ <u>91,240</u>		

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

**To Calculate Recapture Tax:**

Recapture Total Cost			
Recovery Taken	\$ <u>26,760</u>	(q)	
Tax Rate (%)	x <u>25%</u>		
Tax Due from Recapture of Cost Recovery	= \$ <u>6,690</u>		

	\$ <u>6,690</u>		
	+ <u>6,002</u>		

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

Total Taxable Gain	\$ <u>66,774</u>	(r)	
Less: Total Cost of Recovery Taken (Recapture)	- <u>26,760</u>	(q)	
Balance of Capital Gain	= <u>40,014</u>		
Times Capital Gains Tax Rate (%)	x <u>15%</u>		
Balance of Capital Gains Tax Due From Sale	= \$ <u>6,002</u>		

**TOTAL TAX DUE ON SALE = \$ 12,692**

# RESIDENTIAL INVESTMENT PERFORMANCE SUMMARY

**PROJECTED SALES PRICE:**.....

= \$ 169,907 (o)

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

- \$ 11,894 (p)

**Mortgage Balance Due:**.....

- \$ 92,000 (c)

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

- \$ 12,692

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

= \$ 53,322 (S)

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

\$ 1,688

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

(n) 1.44%

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

(k) 8 yrs.

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

= 14,205 \* (T)

PMT  
i  
n  
SOLVE FOR  
FV

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

= \$ 67,527

FV

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

(f) \$ 26,000

PV

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

(k) 8 yrs.

n  
SOLVE FOR

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

= 12.67%

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.