

# PROPERTY AND INVESTOR DATA SUMMARY

FORM 1

Property Address 12345 W Amelia Av  
 Prepared By Greg Swann

Investor Kurt B.  
 Date 6/15/2004

PURCHASE PRICE \$ 130,000 (a) LAND ALLOCATION 20%  
 IMPROVEMENT ALLOCATION (%) x 80% %  
 IMPROVEMENT VALUE \$ 104,000 (b)

	Amount		Rate (%)		Annual Interest
1st Loan	\$ <u>104,000</u>	x	<u>6.50%</u>	=	\$ <u>6,760</u>
	+				+
2nd Loan	\$ _____	x	_____	=	\$ <u>0</u>
 TOTAL=	 \$ <span style="border: 1px solid black; padding: 2px;">104,000</span> (c)			=	 \$ <span style="border: 1px solid black; padding: 2px;">6,760</span> (d)

Down Payment..... \$ 26,000

Closing Costs..... + \$ 3,294 (e)

Initial Investment..... = \$ 29,294 (f)

Gross Scheduled Income (monthly rent \$ 995 x 12) = \$ 11,940 (g)

Annual Vacancy Allowance ( 10% x (g) ) = \$ 1,194 (h)  
 %

ANNUAL OPERATING EXPENSES	
Property Taxes	1,164
Insurance	600
Utilities	0
Maintenance	600
Other.....	372
.....	_____
.....	_____
TOTAL.....	\$ <span style="border: 1px solid black; padding: 2px;">2,736</span> (i)

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

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

Annual Property  
 Appreciation Rate (%)..... 6.00% (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>11,940</u>	(g)
LESS: Vacancy Allowance.....	-	\$ <u>1,194</u>	(h)
<b><u>GROSS OPERATING INCOME</u></b> .....	=	\$ <b>10,746</b>	
LESS: Total Operating Expenses.....	-	\$ <u>2,736</u>	(i)
<b><u>NET OPERATING INCOME</u></b> .....	=	\$ <b>8,010</b>	
LESS: Annual Interest Payments.....	-	<u>6,760</u>	(d)
<b><u>CASH FLOW BEFORE TAXES</u></b> .....	=	\$ <b>1,250</b>	

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# CASH FLOW AFTER TAXES

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

LESS: Annual Interest Payments.....

LESS: COST RECOVERY (Compute Below)

<b>To Calculate Cost Recovery:</b>	
Improvement Value	\$ <u>104,000</u> (b)
Divided by	
Cost Recovery Period	÷ <u>27.5 yrs.</u>
Annual Cost Recovery	\$ <span style="border: 1px solid black; padding: 2px;">3,782</span>

	\$ <u>8,010</u>
	- \$ <u>6,760</u> (d)
	-
	<u>3,782</u>
	= \$ <span style="border: 1px solid black; padding: 2px;">-2,532</span>

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 <u>28%</u> (j)
	= \$ <span style="border: 1px solid black; padding: 2px;">-709</span>
	CHANGE SIGN
	\$ <u>1,250</u> *
	+ <u>709</u>
	= \$ <span style="border: 1px solid black; padding: 2px;">1,959</span>

- \* 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.....

\$	130,000	(a)	PV
	6.00%	(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-

\$	207,200	(o)	FV
-	18,648	(p)	
-	103,038		
=	85,514	(r)	

**To Calculate Adjusted Basis:**

Purchase Price.....	\$	130,000		(a)	
PLUS: Closing Costs.....	+	3,294		(e)	
<b>LESS: Total Cost Recovery:</b>					
\$ <span style="border: 1px solid black; padding: 2px;">3,782</span> (Annual Cost)					
x <u>8</u> Holding Period				(k)	
	-	30,256		(q)	
Adjusted Basis.....	\$	103,038			

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

**To Calculate Recapture Tax:**

Recapture Total Cost Recovery Taken	\$	30,256		(q)	
Tax Rate (%)	x	25%			
Tax Due from Recapture of Cost Recovery	= \$	7,564			

\$	7,564	
+	8,289	

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

Total Taxable Gain	\$	85,514		(r)	
Less: Total Cost of Recovery Taken (Recapture)	-	30,256		(q)	
Balance of Capital Gain	=	55,258			
Times Capital Gains Tax Rate (%)	x	15%			
Balance of Capital Gains Tax Due From Sale	= \$	8,289			

**TOTAL TAX DUE ON SALE = \$ 15,853**

# RESIDENTIAL INVESTMENT PERFORMANCE SUMMARY

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

= \$ 207,200 (o)

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

- \$ 18,648 (p)

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

- \$ 104,000 (c)

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

- \$ 15,853

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

= \$ 68,699 (S)

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

\$ 1,959

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

(n) 1.44%

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

(k) 8 yrs.

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

= 16,485 \* (T)

PMT  
i  
n  
SOLVE FOR  
FV

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

= \$ 85,184

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

(f) \$ 29,294

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

(k) 8 yrs.

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

= 14.27%

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.