

PROPERTY AND INVESTOR DATA SUMMARY

Property Address 329 N 2nd st W
 Prepared By Shannon Hilliard

Investor _____
 Date 11/7/15

PURCHASE PRICE \$ 385,000 (a) LAND ALLOCATION 30%
 IMPROVEMENT ALLOCATION (%) x 70% %
 IMPROVEMENT VALUE \$ 269,500 (b)

	LTV	Amount	Rate	Term	Payment	=	First Year's Interest
1st Loan	<u>75%</u>	<u>288,750</u>	<u>4.25%</u>	<u>30</u>	<u>\$1,420.48</u>	=	\$ <u>11,863</u>
		+					+
2nd Loan		<u>0</u>			<u>\$0.00</u>	=	\$ <u>0</u>

TOTAL= \$ 288,750 (c) \$1,420.48 = \$ 11,863 (d)

Down Payment..... \$ 96,250

Loan Costs and improvements..... + \$ 4,000 (e)

Initial Investment..... = \$ 100,250 (f)

Gross Scheduled Income (monthly rent \$ 2,625 x 12) = \$ 31,500 (g)

Annual Vacancy Allowance (2% x (g)) = \$ 630 (h)

ANNUAL OPERATING EXPENSES

Property Taxes	<u>2,422.03</u>
Insurance	<u>1,240</u>
Sewer	<u>396</u>
Gas/Elec/water	<u>1,684</u>
Management	<u>0</u> 0%
Garbage/maintena	<u>1,000</u>
TOTAL	\$ <u>6,742</u> (i)

Investor's Tax Bracket (10,15,25,28,33,35)	<u>35.0%</u>	(j)
Holding Period.....	<u>10 yrs.</u>	(k)
Annual Property		
Appreciation Rate (%).....	<u>2.00%</u>	(l)
Projected Cost of Sale (%).....	<u>7.00%</u>	(m)

Investor's Pre-Tax	
Investment Rate (%).....	<u>3.00%</u>
1.00 minus <u>0.350</u> (j) = x <u>0.65</u>	
tax bracket	complement
Investor's After-Tax	
Investment Rate.....	<u>1.95%</u> (n)

CASH FLOW BEFORE TAXES

Gross Scheduled Income.....		\$	31,500	g
LESS: Vacancy Allowance.....	-	\$	630	h
<u>GROSS OPERATING INCOME</u>	=	\$	30,870	
LESS: Total Operating Expenses.....	-	\$	6,742	i
<u>NET OPERATING INCOME</u>	=	\$	24,128	
LESS: Annual Debt Service.....	-		17,046	d
<u>CASH FLOW BEFORE TAXES</u>	=	\$	7,082	

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CASH FLOW AFTER TAXES

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

LESS: First Year's Interest

1st \$ 11,862.81 2nd \$ -

LESS: COST RECOVERY (Compute Below)

To Calculate Cost Recovery:

Improvement Value \$ 269,500 (b)

Divided by

Cost Recovery Period | 27.5 yrs.

Annual Cost Recovery \$ 9,800

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.....

	\$ 24,128
	- \$ 11,863 (d)
	-
	9,800
	= \$ 2,465
	x 35.0% (j)
	= \$ 863
	CHANGE SIGN
	\$ 7,082 *
	+ -863
	= \$ 6,220

* 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.....	\$	385,000	a	+/-	PV
Annual Appreciation Rate (%).....		2.00%	l		i
Holding Period.....		10 yrs.	k		n

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

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

LESS: Adjusted Basis-

	\$	469,313	o		FV
	-	32,852	p		
		291,000			
	=	145,461	r		

To Calculate Adjusted Basis:

Purchase Price.....	\$	385,000	a	
PLUS: Closing Costs.....	+	4,000	e	
LESS: Total Cost Recovery:				
\$ 9,800 (Annual Cost)				
Recovery (Form 3)				
x 10 Holding Period (k)	-	98,000	q	
Adjusted Basis.....	\$	291,000		

TOTAL TAXABLE GAIN ON SALE.....

To Calculate Recapture Tax:

Recapture Total Cost				
Recovery Taken	\$	98,000	q	
Recapture Tax Rate (%)	x	25%		
Tax Due from Recapture of Cost Recovery	=	24,500		

	\$	24,500		
		291,000		
	-	145,461		
	=	145,461	r	

To Calculate Balance of Capital Gains Tax:

Total Taxable Gain	\$	145,461	r	
Less: Total Cost of Recovery Taken (Recapture)	-	98,000	q	
Balance of Capital Gain	=	47,461		
Times Capital Gains Tax Rate (%)	x	15%		
Balance of Capital Gains Tax Due From Sale	=	7,119		

TOTAL TAX DUE ON SALE = \$ 31,619

RESIDENTIAL INVESTMENT PERFORMANCE SUMMARY

<u>PROJECTED SALES PRICE:</u>	= \$ <u>469,313</u>	o	
LESS: Projected Cost of Sale:.....	- \$ <u>32,852</u>	p	
Mortgage Balance Due:.....	- \$ <u>229,392</u>	c	
Tax Due on Sale (Form 4):.....	- \$ <u>31,619</u>		
<u>AFTER-TAX PROCEEDS FROM SALE:</u>	= \$ 175,450	s	
CASH FLOW AFTER TAX (Form 3):.....	\$ <u>6,220</u>		+/- PMT
Investor After-Tax Rate of Return (%):.....	n <u>1.95%</u>	n	i
Holding Period:.....	k <u>10 yrs.</u>	k	n
<u>AMOUNT ACCUMULATED:</u>	= 67,952 * T	T	SOLVE FOR FV
<u>TOTAL FUTURE WEALTH:</u> (s T ..	= \$ 243,402		FV
<u>INITIAL INVESTMENT:</u>	f \$ <u>100,250</u>	f	+/- PV
<u>HOLDING PERIOD:</u>	k <u>10 yrs.</u>	k	n
<u>AFTER-TAX RATE OF RETURN/YIELD (%):</u>	= 9.28%		SOLVE FOR i
<u>COMPARABLE BEFORE TAX RATE OF RETURN</u>	= 14.27%		

*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.