

Adrian Apartments II1212 Main St.
Atlanta GA 30304**Income Tax Analysis**Jeffrey Sandford
404-555-1212

Tax Analysis - Operations	Year 1	Year 2	Year 3	Year 4	Year 5
Net Operating Income (NOI) from CFA	\$ 156,110	\$ 159,445	\$ 162,848	\$ 166,322	\$ 169,867
Expense Portion of Capital Reserve	(2,500)	(2,525)	(2,550)	(2,576)	(2,602)
Tax Depreciation	(49,659)	(51,818)	(51,818)	(51,818)	(51,818)
Tax Depreciation - Reserve/Improvements	(87)	(179)	(272)	(365)	(460)
Amortization of Loan Origination Points	(419)	(438)	(438)	(438)	(438)
Interest Expense - Mortgage #1	(80,855)	(87,276)	(86,240)	(85,132)	(83,947)
Operating Taxable Income (Loss)	<u>\$ 22,589</u>	<u>\$ 17,209</u>	<u>\$ 21,531</u>	<u>\$ 25,993</u>	<u>\$ 30,604</u>
Federal & State Tax Rate	34.00%	34.00%	34.00%	34.00%	34.00%
Income Tax Benefit (Expense)	<u>\$ (7,680)</u>	<u>\$ (5,851)</u>	<u>\$ (7,320)</u>	<u>\$ (8,838)</u>	<u>\$ (10,405)</u>
Subject to Suspended Loss Rules?	Yes				

Tax Analysis - Property Sale	Year 1	Year 2	Year 3	Year 4	Year 5
Adjusted Projected Sales Price	\$ 1,834,293	\$ 1,873,475	\$ 1,913,467	\$ 1,954,283	\$ 1,995,941
Original Cost of Property	(1,775,000)	(1,775,000)	(1,775,000)	(1,775,000)	(1,775,000)
Less: Funded Reserves	(2,500)	(5,025)	(7,575)	(10,151)	(12,753)
Loan Origination Points Paid	(13,125)	(13,125)	(13,125)	(13,125)	(13,125)
Gain (Loss) on Property	<u>\$ 43,668</u>	<u>\$ 80,325</u>	<u>\$ 117,766</u>	<u>\$ 156,007</u>	<u>\$ 195,064</u>
Accumulated Depreciation/Amortization	50,078	102,421	154,856	207,383	260,004
Accumulated Dep - Reserve/Improvements	87	179	272	365	460
Taxable Gain (Loss) on Property Sale	<u>\$ 93,833</u>	<u>\$ 182,925</u>	<u>\$ 272,894</u>	<u>\$ 363,755</u>	<u>\$ 455,527</u>
Capital Gain & State Rate on Sale	21.00%	21.00%	21.00%	21.00%	21.00%
Income Tax Benefit (Expense)	(19,705)	(38,414)	(57,308)	(76,389)	(95,661)
Recapture Tax	(4,975)	(10,174)	(15,383)	(20,602)	(25,829)
Income Tax Benefit (Expense)	<u>\$ (24,680)</u>	<u>\$ (48,589)</u>	<u>\$ (72,691)</u>	<u>\$ (96,990)</u>	<u>\$ (121,490)</u>

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Tax Analysis - Operations	Year 6	Year 7	Year 8	Year 9	Year 10
Net Operating Income (NOI) from CFA	\$ 173,486	\$ 177,179	\$ 180,948	\$ 184,795	\$ 188,721
Expense Portion of Capital Reserve	(2,628)	(2,654)	(2,680)	(2,707)	(2,734)
Tax Depreciation	(51,818)	(51,818)	(51,818)	(51,818)	(51,818)
Tax Depreciation - Reserve/Improvements	(555)	(652)	(749)	(848)	(947)
Amortization of Loan Origination Points	(438)	(438)	(438)	(438)	(438)
Interest Expense - Mortgage #1	(82,679)	(81,323)	(79,873)	(78,321)	(76,662)
Operating Taxable Income (Loss)	<u>\$ 35,368</u>	<u>\$ 40,295</u>	<u>\$ 45,390</u>	<u>\$ 50,663</u>	<u>\$ 56,122</u>
Federal & State Tax Rate	34.00%	34.00%	34.00%	34.00%	34.00%
Income Tax Benefit (Expense)	<u>\$ (12,025)</u>	<u>\$ (13,700)</u>	<u>\$ (15,433)</u>	<u>\$ (17,226)</u>	<u>\$ (19,082)</u>
Subject to Suspended Loss Rules?	Yes				

Tax Analysis - Property Sale	Year 6	Year 7	Year 8	Year 9	Year 10
Adjusted Projected Sales Price	\$ 2,038,458	\$ 2,081,852	\$ 2,126,139	\$ 2,171,339	\$ 2,217,469
Original Cost of Property	(1,775,000)	(1,775,000)	(1,775,000)	(1,775,000)	(1,775,000)
Less: Funded Reserves	(15,380)	(18,034)	(20,714)	(23,421)	(26,156)
Loan Origination Points Paid	(13,125)	(13,125)	(13,125)	(13,125)	(13,125)
Gain (Loss) on Property	<u>\$ 234,953</u>	<u>\$ 275,693</u>	<u>\$ 317,300</u>	<u>\$ 359,793</u>	<u>\$ 403,189</u>
Accumulated Depreciation/Amortization	312,719	365,530	418,438	471,443	524,546
Accumulated Dep - Reserve/Improvements	555	652	749	848	947
Taxable Gain (Loss) on Property Sale	<u>\$ 548,228</u>	<u>\$ 641,875</u>	<u>\$ 736,487</u>	<u>\$ 832,083</u>	<u>\$ 928,682</u>
Capital Gain & State Rate on Sale	21.00%	21.00%	21.00%	21.00%	21.00%
Income Tax Benefit (Expense)	(115,128)	(134,794)	(154,662)	(174,737)	(195,023)
Recapture Tax	(31,067)	(36,314)	(41,571)	(46,837)	(52,114)
Income Tax Benefit (Expense)	<u>\$ (146,195)</u>	<u>\$ (171,108)</u>	<u>\$ (196,233)</u>	<u>\$ (221,575)</u>	<u>\$ (247,137)</u>