

Tax Effect			
ESTIMATED VALUES FOR DEPRECIATION			
Estimated Values:			
Land			\$0
Building/Structure			\$153,000
Existing Furniture & Hot Tub			\$10,000
Total Estimated Value:			<u>\$163,000</u>
New/ Additional:			
Furniture			\$0
Hot Tub			\$0
Swimming Pool, Decking & Equipment			\$0
Total Estimated Cost			<u>\$0</u>
Annual home depreciation (building value divided by 27 1/2 years)			
			\$5,564
Annual personal property depreciation (furniture value divided by 5 years)			
			\$2,000
Total Depreciation			\$7,564
Annual Cash Flow Before Tax			
			\$15,166
Mortgage Principal - First Year			
			(\$18,996)
Cash Flow Less Mortgage Principal Paid			
			(\$3,831)
Total Depreciation			
			(\$7,564)
Depreciation and Expense (First Year)			(\$11,394)
Federal Tax Write-Off (First Year @ 31%)			
			\$3,532
State Tax Write-Off (First Year @ 8%)			
			\$912
Total Tax Write-Off First Year			\$4,444
Cash Flow Less Mortgage Principal Paid			(\$3,831)
Annual Gain (Loss)			
			\$613
Monthly Gain (Loss)			
			\$51
<p>Note: In general, losses in any given year from "passive-rental real estate" are limited to the amount of passive income from other sources (such as gains from other rental properties). The IRS code does provide an exception. Losses up to \$25,000 can be deducted provided the tax payer satisfies the "active participation" test and adjusted gross income is less than \$100,000. The deduction is phased-out for adjusted gross incomes between \$100,000 and \$150,000. The tax code regarding passive real estate investments is a very complex matter.</p>			
●●●●Consultation with your professional tax advisor is recommended.●●●●			

CLOSING COST ESTIMATE				
<u>Closing Costs</u>				
Attorney's fee				\$850
Origination fee		1.00%		\$3,999
Appraisal fee				\$0
Survey				\$0
Recording fee				\$26
Credit Report fee				\$0
Title Insurance binder				\$1,350
Underwriting				\$0
Total closing costs				\$6,225
<u>Prepaid Items</u>				
	2	months tax escrow		\$604
	2	months insurance escrow		\$83
Total prepaid items				\$687
<u>Monthly Payment</u>				
Principal and Interest				\$0
Monthly Escrow for Taxes				\$302
Monthly Escrow for Insurance				\$42
Total Monthly Payment				\$344
<u>Cash Needed at Closing</u>				
Down payment				\$499,900
Closing Cost Estimate				\$6,225
First annual insurance premium				\$500
Prepaid Items Estimate				\$687
New/ Additional Furnishings & Accessories				\$0
Village Realty Linen Program - Estimated Setup Fee				\$0
Other Fees/Dues				\$0
				\$0
TOTAL				\$507,313
<p>*The preceding projections are provided to assist in determining the potential cash flow and income tax ramifications of owning investment property on the Outer Banks. Projected revenues and expenses cover a twelve month period and are based on recent rental history of the referenced property or an average of similar properties. Financial and tax planning are complex and unique matters that should be reviewed by each individual taking into consideration both personal and financial objectives.</p> <p style="text-align: center;">●●●● Consultation with your professional tax advisor is recommended.●●●●</p>				