

# Tax World / Operations

**Net Operating Income**

**Less**

**Interest on loan payments**

**Less**

**Cost Recovery**

**Equals**

**Taxable Income/(Loss) from Operations**

**(X) Tax Rate =**

**Tax Liability/(Savings) from Operations**

# Real World / Operations

**Net Operating Income**

Less

**Annual debt Service**

Equals

**Cash Flow Before Taxes**

Less

**Tax Liability/(Savings)**

Equals

**Cash Flow After Taxes**

# Calculating Adjusted basis

**Basis at Acquisition**

**Plus**

**Capital Improvements / Additions**

**Less**

**Cost Recovery Taken**

**Equals**

**Adjusted Basis**

# Calculating Gain on Sale

**Sale Price**

**Less**

**Cost of Sale**

**Less**

**Adjusted Basis**

**Equals**

**Total Gain / (Loss)**

# Capital Gain Tax

**Total Gain**

**Less**

**Cost Recovery Taken**

**Less**

**Suspended Losses**

**Equals**

**Capital Gain From Appreciation**

**(X) Capital Gain Tax Rate (10%–15%) =**

**Capital Gain Tax**

# Recapture Tax

**Cost Recovery Taken**

**(X) 25%**

**Recapture Tax Payable**

# Taxes on Sale of Real Estate

**Capital Gain Tax**

**Plus**

**Recapture Tax**

**Plus**

**Ordinary Income Tax Payable/(Savings)**

**Equals**

**Total Taxes on Sale of Real Estate**

# CFAT from Sale of Real Estate

Sale Price

Less

Cost of Sale

Less

Mortgage Balance

Equals

CFBT from Sale

Less

Tax Liability on Sale

Equals

**CFAT from Sale of Real Estate**