

# MONEY 101 EDUCATION

## 11.64 Commercial Real Estate Investment - Cash Flow vs. Taxable Income

### ASSUMES

Cost of Property with all closing costs		\$ 450,000
Land Portion - which cannot be depreciated	10%	\$ 45,000
Building & Improvements portion which can be depreciated	90%	\$ 405,000
IRS allowed life for building		27.5
Annual Depreciation		\$ 14,727.27



The property was purchased with

Cash	30%	\$ 135,000
Mortgage	70%	\$ 315,000
		\$ 450,000

Mortgage Payment is based on an annual rate of	8%		
Payoff in months (20 years)	240		
		MONTHLY	ANNUAL
TOTAL PAYMENT		\$2,635	\$31,617
Estimate portion that is Interest and deductible	80%	\$2,108	\$25,294
Estimate portion that is Principal and NOT deductible	20%	\$527	\$6,323

Line 3

		CASH FLOW		TAXABLE INCOME	
		Monthly	Annual	Monthly	Annual
	from the Jenkins family	\$1,900	\$22,800	\$1,900	\$22,800
	from the Lewis family	\$3,100	\$37,200	\$3,100	\$37,200
	<b>TOTAL INCOME</b>	<b>\$5,000</b>	<b>\$60,000</b>	<b>\$5,000</b>	<b>\$60,000</b>

Line 5

Line 6

Line 7

Line 8

Line 9

Line 10

Line 11

Line 12

Line 14

Line 15

Line 16

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Line 18

	Monthly	Annual	Monthly	Annual
Advertising	\$ 60	\$ 720	\$ 60	\$ 720
Auto and Travel	\$ -	\$ -	\$ -	\$ -
Cleaning and Maintenance	\$ 100	\$ 1,200	\$ 100	\$ 1,200
Commissions	\$ 50	\$ 600	\$ 50	\$ 600
Insurance	\$ 45	\$ 540	\$ 45	\$ 540
Legal and Accounting	\$ 50	\$ 600	\$ 50	\$ 600
Management Fee	\$ 250	\$ 3,000	\$ 250	\$ 3,000
Mortgage Interest	\$ 2,108	\$ 25,294	\$ 2,108	\$ 25,294
Repairs	\$ 65	\$ 780	\$ 65	\$ 780
Supplies	\$ 45	\$ 540	\$ 45	\$ 540
Taxes	\$ 850	\$ 10,200	\$ 850	\$ 10,200
Utilities - oil heating	\$ 240	\$ 2,880	\$ 240	\$ 2,880
DEPRECIATION	Not applicable	Not applicable	\$ 1,227	\$ 14,727
Principal Repayment	\$527	\$6,323	not deductible	not deductible
	<b>\$ 4,390</b>	<b>\$ 52,677</b>	<b>\$ 5,090</b>	<b>\$ 61,081</b>
<b>NET CASH FLOW or TAXABLE PROFIT (LOSS)</b>	<b>\$610</b>	<b>\$7,323</b>	<b>(\$90)</b>	<b>(\$1,081)</b>