

**Projected Tax Impact - Sale of Partnership Asset**

Partnership Name		Projected Sales & Tax Effect on Sec 1250 Property		
XYZ Limited Partnership		Gross Sales Price	\$ 10,000,000	
<b>Asset Description</b>		Less: Commission Expense	(\$400,000)	
100-Unit Residential Bldg		Less: Expense of Sale-Legal	\$0	
Sales Commission Expense		Less: 1% Prepayment Fee	\$0	
4.00%		Total Expense of Sale Costs	(\$400,000)	
<b>Property Class NOT included:</b>		Net Sales Proceeds	\$ 9,600,000	A
Organizational Costs		Cost Basis of Property		
Finance Fees Amortized		Land & Land Improvements	\$ 100,000	
Goodwill Basis		Building	\$ 5,000,000	
Furniture/Fixtures/Carpet		Capital Improvements	\$ -	
		Other Cost Basis Adj	\$ -	
		Tax Cost Basis Property	\$ 5,100,000	
		<b>Less: Accumulated Depreciation</b>		
		Accum Deprec: Building	(4,500,000)	
		Accum Deprec: Improvements	0	
		Accum Deprec: Other	0	
		Total Accum Deprec to Sale	(4,500,000)	
		<b>Adjusted Tax Basis of Property</b>	<b>600,000</b>	B
		<b>Gain on Sale of Asset/Property</b>	<b>9,000,000</b>	C
	A minus B = C	Gain for Depreciation Recap	\$ 4,500,000	
		Capital Gain on Sale	\$ 4,500,000	
		<b>Total Gain for Partnership</b>	<b>\$ 9,000,000</b>	C

Allocated Share of Gain to Individual Partner				
<b>Individual Partner (s)</b>		Gain Allocated to Partner at %	\$ 3,600,000	A
John Q Public				
Percent Ptr Owner		<b>Subtract Basis Adjustments of Partner</b>		
40.0000%		Net Section 743 (b) Adjustment	\$ -	
		Net Section 754 Adjustment	\$ -	
		Other Net Basis Adjustments	\$ -	
		Total Partner Basis Adjustments	\$ -	B
	A minus B = C	Net Gain Allocated to Partner	\$ 3,600,000	C
		Share of Depreciation Recap	\$ 1,800,000	
		Share of LT Capital Gain	\$ 1,800,000	
		<b>Total Gain Allocated to Partner</b>	<b>\$ 3,600,000</b>	C

Federal Tax Rate on Gain Type	Rate	Project Federal Tax on Gain	
Depreciation Recap Taxed at	25.00%	Tax on Depreciation Recapture	\$ 450,000
LT Capital Gains Taxed at	20.00%	Tax on Long Term Capital Gain	\$ 360,000
		<b>Total Federal Tax</b>	<b>\$ 810,000</b>
Minnesota Income Tax Rate	9.00%	<b>Minnesota Income Tax on Gain</b>	<b>\$ 324,000</b>
Gain on Sale of Property		<b>Total Federal &amp; Minnesota Tax</b>	<b>\$ 1,134,000</b>

## Projected Tax Impact - Sale of Partnership Asset

<b>Partnership Name</b>	<b>Individual Partner (s)</b>
XYZ Limited Partnership	John Q Public
<b>Asset Sold Description</b>	Percent Ptr Owner
100-Unit Residential Bldg	40.0000%

Recap: Cash Available on Transaction		
Net Cash for Distribution	\$ 9,600,000	See Sale Worksheet
Minus Payoff Loan Balance	\$ (4,200,000)	No Tax Impact
Net Cash for Distribution	\$ 5,400,000	Assume Accounts Paid/Funded

Partner Share of Cash Distribution	\$ 2,160,000	Cash Distribution
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Individual Partner Capital Account Reconciliation		
Beg Capital Account	(\$1,570,000)	From Prior Year Tax Return
\$450,000 Book/Tax Income	\$ 180,000	Estimated for year to Ptr
Less: Cash Distributed from Operations	(\$100,000)	Estimated for year to Ptr
\$250,000		
Taxable Gain to Ptr	\$ 3,600,000	See Sale Worksheet
Less: Cash Proceeds Dist/Adjustments	(\$2,160,000)	From Above
Ending Capital Account	(\$50,000)	Needs to Zero-Out

<b>Amount to Zero-Out Account</b>	\$ 50,000	LT Passive Capital Gain/(Loss)
This is a LT Passive Gain		
Capital Account at Closing	-0-	Must Equal Zero
Write-off Sec 743 Basis Adjustments	\$0	Outside Stepped-Up Basis
This is an LT Passive Loss		Reported Separately

Projected Federal Taxes Due on Capital Account Gain/(Loss)		
Federal Tax - Capital Account Reconciliation	\$ 10,000	LT Gain/(Loss) Taxed at 20%
Write-off Sec 743 Basis Adjustments	\$0	Outside Stepped-Up Basis - as Negative
Projected Federal Tax on Capital Account	\$ 10,000	

Projected Minnesota Taxes Due on Capital Account Gain/(Loss)		
State Tax on Capital Account Reconciliation	\$ 4,500	Using 9% State Tax
Write-off Sec 743 Basis Adjustments	\$0	Outside Stepped-Up Basis
Projected State Tax on Capital Account	\$ 4,500	

Total Federal & State Tax Recap on Transaction			
	Sale of Property	Capital Account	Total Tax
<b>Federal</b>	\$ 810,000	\$10,000	\$ 820,000
<b>Fed NIIT</b>	\$ 136,800	\$1,900	\$ 138,700
<b>State</b>	\$ 324,000	\$4,500	\$ 328,500
<b>Totals</b>	<b>\$ 1,270,800</b>	<b>\$16,400</b>	<b>\$ 1,287,200</b>

**Notes**

- 1 Property is almost fully Depreciated for Book & Tax Purposes.
- 2 Small Book/Tax Differences on Basis will be adjusted when finalized.
- 3 Cash proceeds to payoff a Partner Loan is not Taxable, but the interest, if any, is taxable.
- 4 Stepped-Up Basis, if any, is an Outside Adjustment allocated to Individual Partner
- 5 Fed NIIT - Federal Net Investment Income Tax at 3.8%

## Projected Tax Impact - Redemption of Partner Interest

<b>Percent Ptr Owner</b>	<b>Partnership Name</b>	<b>Individual Partner (s)</b>
40.0000%	XYZ Redeem	John Q Public

Projected Partner Redemption & Capital Account Reconciliation			
	Gross Redemption Price	\$ 4,000,000	
	Less: Commission Expense	\$0	None
	Less: Expense of Sale-Legal	\$0	
	Less: 1% Prepayment Fee	\$0	Pd by Ptr
	Total Expense of Sale Costs	\$0	
	<b>Net Sales Proceeds</b>	<b>\$ 4,000,000</b>	
A →	<b>Less: Share of Debt</b>	\$ (1,680,000)	40.0000%
	<b>Equity Redeemed</b>	<b>\$ 2,320,000</b>	A

  

Individual Partner Capital Account Reconciliation			
	Beg Capital Account	(\$1,570,000)	From Prior Year Tax Return
	Book/Tax Income	\$ 180,000	Estimated for year to Ptr
	Less: Cash Distributed from Operations	(\$100,000)	Estimated for year to Ptr
	Other Cash Disbursed		
PLUS →	Partner Share of Debt	\$ 1,680,000	C Long-Term Gain
	Less: Other Cash Dist/Adjustments		
	Ending Capital Account	\$190,000	Needs to Zero-Out
B →	<b>Amount to Zero-Out Account</b>	<b>\$ (190,000)</b>	LT Passive Capital Gain/(Loss)
	This is a LT Passive Loss	B	
	Capital Account at Closing	-0-	Must Equal Zero
	Write-off Sec 743 Basis Adjustments	\$0	Outside Stepped-Up Basis
	This is an LT Passive Loss		Reported Separately

  

Equals →	<b>Total Taxable Gain</b>	<b>\$ 3,810,000</b>	A + B + C
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Projected Federal Taxes Due on Capital Account Gain/(Loss)		
Federal Tax - Capital Account Reconciliation	\$ (38,000)	LT Gain/(Loss) Taxed at 20%
Tax % Write-off Sec 743 Basis Adjustments	\$0	Stepped-Up Basis - Negative
<b>Projected Federal Tax on Capital Account</b>	<b>\$ (38,000)</b>	

Projected Minnesota Taxes Due on Capital Account Gain/(Loss)		
State Tax on Capital Account Reconciliation	\$ (17,100)	Using 9% State Tax
Tax % Write-off Sec 743 Basis Adjustments	\$0	Outside Stepped-Up Basis
<b>Projected State Tax on Capital Account</b>	<b>\$ (17,100)</b>	

Total Federal & State Tax Recap on Redemption				
Rate		Equity Redeemed - A	Capital Account - B	Total Tax
20%	<b>Federal</b>	\$ 800,000	(\$38,000)	\$ 762,000
3.8%	<b>Fed NIIT</b>	\$ 152,000	(\$7,220)	\$ 144,780
9.0%	<b>State</b>	\$ 360,000	(\$17,100)	\$ 342,900
	<b>Totals</b>	<b>\$ 1,312,000</b>	<b>(\$62,320)</b>	<b>\$ 1,249,680</b>