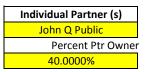
## **Projected Tax Impact - Sale of Partnership Asset**

Partnership Name	Projected Sales & Tax Effect or	Sec	1250 Property	У
XYZ Limited Partnership				
Asset Description	Gross Sales Price	\$	10,000,000	
100-Unit Residential Bldg	Less: Commission Expense		(\$400,000)	
_	Less: Expense of Sale-Legal		\$0	
Sales Commission Expense	Less: 1% Prepayment Fee		\$0	
4.00%	Total Expense of Sale Costs		(\$400,000)	
_	Net Sales Proceeds	\$	9,600,000	Α
Property Class NOT included:				
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	
	Less: Accumulated Depreciation			
	Accum Deprec: Building		(4,500,000)	
	Accum Deprec: Improvements		0	
	Accum Deprec: Other		0	
	Total Accum Deprec to Sale		(4,500,000)	
	Adjusted Tax Basis of Property		600,000	В
A minus B = C	Gain on Sale of Asset/Property		9,000,000	С
	Gain for Depreciation Recap	\$	4,500,000	
	Capital Gain on Sale	\$	4,500,000	
	Total Gain for Partnership	\$	9,000,000	С

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

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	
		Total Federal Tax	\$	810,000	Α
Minnesota Income Tax Rate	9.00%	Minnesota Income Tax on Gain	\$	324,000	В
				•	
Gain on Sale of Property		Total Federal & Minnesota Tax	\$	1,134,000	С

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



_	Recap: Cash Available on		
	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 Dsistribution	\$ 2,160,000	Cash Distribution
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Individual Partner Capital Ac	count l	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
Amount to Zero-Out Account	\$	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	Accou	nt Gain/(Loss)	
Federal Tax - Capital Account Reconciliation	\$	10,000	LT Gain/(Loss) Taxed at 20%
Write-off Sec 743 Basis Adjustments			Outside Stepped-Up Basis - as Negative
Projected Federal Tax on Capital Account	\$	10,000	
·			
Projected Minnesota Taxes Due on Capital	Accou	nt Gain/(Loss)	

Projected Minnesota Taxes Due on Capital	ss)	
State Tax on Capital Account Reconciliation	\$ 4,5	00 Using 9% State Tax
Write-off Sec 743 Basis Adjustments		Outside Stepped-Up Basis
Projected State Tax on Capital Account	\$ 4,5	00

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

## Notes

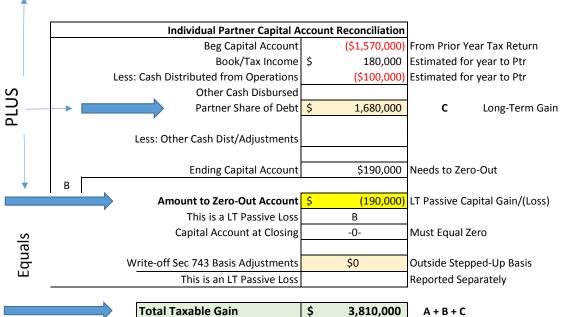
- 1 Property is almost fully Depreciated for Book & Tax Purposes.
- 2 Small Book/Tax Differences on Basis will be adjusted when finalized.
- 3 Cash proceeds to payoff a Partner Loan is not Taxable, but the interest, if any, is taxable.
- 4 Stepped-Up Basis, if any, is an Outside Adjustment allocated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

## **Projected Tax Impact - Redemption of Partner Interest**

Percent Ptr Owner 40.0000% Partnership Name XYZ Redeem Individual Partner (s)

John Q Public

	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	
	Net Sales Proceeds	\$ 4,000,000	
Α	Less: Share of Debt	\$ (1,680,000)	40.0000
	<b>Equity Redeemed</b>	\$ 2,320,000	Α



Projected Federal Taxes Due on Capita	I 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
Projected Federal Tax on Capital Account	\$ (38,000	)
		_
Projected Minnesota Taxes Due on Capita	I 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
Projected State Tax on Capital Account	\$ (17,100	)

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