

SPECIAL REPORT-SAVE TENS OF THOUSANDS OF DOLLARS ON YOUR APARTMENT BUILDING SALE!

Why sell an apartment building and pay a large tax bill? You would be left with much less capital earning low interest income. The assumption is that many sellers do not want continued landlord responsibilities with the IRS Section 1031 property exchange option. I will give the following example of a building sale handled a common but costly way (all cash less huge taxes and commission costs) as compared to an installment sale. In an installment sale, the owner can take back most or all of the sale price in the form of a note. This creates monthly cash flow for the seller at a higher rate of interest than a bond. The greatest benefit is that the IRS does NOT take an upfront huge tax on the installment part of the sale. This leaves a larger amount of capital for you to earn interest. The only tax that is paid is on the cash received at the sale closing (plus depreciation recapture) in addition to the interest and principal paid during a given tax year. You only pay tax on the money as received, which is excellent for sellers who require a large monthly income. The following is an estimate comparison of selling an apartment building for all cash versus an installment sale based on a high income seller who is subject to the IRS Alternative Minimum Tax:

	ALL CASH THROUGH REALTOR	INSTALLMENT SALE TO DAVE FRIEDMAN (A)
Sales Proceeds	\$500,000	\$500,000
Commission (5% of Sales Price)	25,000	0
Net Sales Price	475,000	500,000
Purchase Price (\$50,000 down payment + \$200,000 Note to Bank @ 6%)	250,000	250,000
Net Gain (After Commission)	225,000	250,000
Depreciation Recapture	22,000	22,000
Taxable Gain 1st yr. (After Commission and Depreciation Recapture after escrow)	247,000	22,000
Tax on Sale (Considering Long Term Capital Gains and AMT Tax)	85,709	7,634
Cash available for investment:		
Net Gain (After Commission)	225,000	250,000
Tax on Sale (Considering Long Term Capital Gains, AMT Tax, and Depreciation Recapture)	(85,709)	(7,634)
Original Investment	50,000	50,000
<u>Capital Available for Investment</u>	<u>189,291</u>	<u>292,366</u>
Monthly Income Payments From 4.5 % Bond (Before Tax, Amortized Over 30 Years)	710	
**Monthly Income from \$300,000 6% Note Payment, Before Taxes		1,753
Tax on Monthly Income	314	748
Net Monthly Income	\$395	\$1,005
Additional money saved in investment capital and payments over 15 years \$103,075 principal and \$109,800 monthly net cash flow (\$1005-\$395 x 180 months)	TOTAL SAVINGS	\$212,875

** Based upon a 10 Unit apartment building, held for 3 years.

A \$500,000 Note is Carried Back by the Seller @ 6%, amortized over 30 years,
due in 15 years, less \$200,000 balance due on note to bank, nets \$300,000
worth of capital for investment @ 6%.

CALL DAVE FRIEDMAN FOR MORE INFORMATION 818-970-7701

THIS EXAMPLE IS INTENDED TO BE USED FOR DISCUSSION PURPOSES ONLY,
PLEASE CONSULT YOUR TAX ADVISOR