

Sale of Real Estate - 40 Winding Way

This report details the pre-tax proceeds, tax, and after-tax proceeds on the sale of 40 Winding Way.

I. Calculating Proceeds After Mortgage and Before Expenses.

1. Current value of 40 Winding Way.	\$450,000
2. Times: Appreciation of 1.900% per year for 1 Year.	1.019
3. Equals: Sale price of 40 Winding Way.	\$458,550
4. Less: First mortgage balance on sale date.	\$230,356
5. Equals: Proceeds after mortgage and before expenses.	\$228,194
6. Less: Expenses of sale.	\$36,684
7. Equals: Proceeds after mortgage and expenses.	\$191,510

II. Proceeds to Each Party After Expenses.

	<u>George</u>	<u>Marianne</u>
1. Party's percent of proceeds before expenses (**).	39.04%	60.96%
2. Proceeds before expenses (line I.5 * line II.1) (***).	\$89,097	\$139,097
3. Expenses of sale (line I.6 divided 39.04%/60.96%).	\$14,321	\$22,363
4. Proceeds after expenses (line 2 - line 3).	\$74,776	\$116,734

III. Estimating Tax Payable on Sale of 40 Winding Way.

	<u>George</u>	<u>Marianne</u>
1. Sale Price of 40 Winding Way.	\$179,038	\$279,512
2. Less: Expense of Sale.	\$14,321	\$22,363
3. Equals: Amount Realized.	\$164,717	\$257,149
4. Less: Adjusted Basis.	\$201,000	\$201,000
5. Equals: Potentially Taxable Gain (\$19,866 divided 50%/50%).	\$9,933	\$9,933
6. Less: Exclusion Amount.	\$250,000	\$250,000
7. Equals: Taxable Gain.	\$0	\$0
8. Estimated Federal Tax (at capital gains rate of 15%) (*).	\$0	\$0
9. Estimated State Tax (at a tax rate of 10.23%).	\$0	\$0

IV. Estimating After-Tax Proceeds on Sale of 40 Winding Way.

	<u>George</u>	<u>Marianne</u>
1. Pre-Tax Proceeds on Sale (from Section II.4 above).	\$74,776	\$116,734
2. Less: Estimated Incremental Tax (from Sec III.8 & 9 above).	\$0	\$0
3. Equals: Estimated proceeds net of expenses and tax.	\$74,776	\$116,734

(*) Capital gains tax rate is an estimate. Actual incremental tax may straddle multiple tax brackets. Also, actual taxes in sale year may increase further because of the loss of the mortgage deduction.

(**) Percent of equity to George = (George's marital + George's separate) / Equity after mortgage and before expenses.
 George's Marital = (Proceeds after mortgage and before expenses - H sep equity - W sep equity) * George's pct of marital.
 Thus, Percent of Equity to George equals (((\$228,194 - \$0 - \$50,000) * 50%) + \$0) / \$228,194).

(***) Note that we can also calculate a party's Proceeds before expenses (line II.2) as: ((Proceeds after mortgage - H separate equity - W separate equity) * Party's marital percent) + Party's separate equity.