

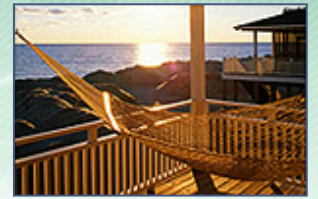


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Selling Your Home - Tax Considerations

Can I deduct the loss I suffered when I sold my home?

The Internal Revenue Service currently does not allow deductions for losses on the sale of your own home. In fact there's no way to use a loss on the sale of your principal residence to your advantage on your income tax return.

Where do I get information on IRS publications?

The Internal Revenue Service publishes a number of real estate publications. They are listed by number:

- * 521 "Moving Expenses"
- * 523 "Selling Your Home"
- * 527 "Residential Rental Property"
- * 534 "Depreciation"
- * 541 "Tax Information on Partnerships"
- * 551 "Basis of Assets"
- * 555 "Federal Tax Information on Community Property"
- * 561 "Determining the Value of Donated Property"
- * 590 "Individual Retirement Arrangements"
- * 908 "Bankruptcy and Other Debt Cancellation"
- * 936 "Home Mortgage Interest Deduction"

Order by calling 1-800- TAX-FORM.

What home-buying costs are deductible?

Any points you or the seller pay to purchase your home loan are deductible for that year. Property taxes and interest are deductible every year. But while other home-buying costs (closing costs in particular) are not immediately tax-deductible, they can be figured into the adjusted cost basis of your home when you go to sell (any significant home improvements also can be calculated into your basis). These fees would include title insurance, loan-application fee, credit report, appraisal fee, service fee, settlement or closing fees, bank attorney's fee, attorney's fee, document preparation fee and recording fees. Points paid when you refinance an existing mortgage must be deducted ratably over the life of the new loan.

Are taxes on second homes deductible?

Mortgage interest and property taxes are deductible on a second home if you itemize. Check with your accountant or tax adviser for specifics.

Are seller-paid points deductible?

As of Jan. 1, 1991, homeowners have been able to deduct points paid by the seller. This deduction previously was reserved only for points actually paid by the buyer.

What are the rules on capital gains when inheriting a house?

When children inherit a home, the Internal Revenue Service determines their basis in the property on the date of the owner's death. The cost basis is not the amount the owner originally paid for the house, but the property's fair-market value on the date of the parent's death. Cost basis is a tax term for the dollar amount assigned to a property at the time it is acquired, for the purpose of determining gain or loss when it is sold. For example, one of the three siblings sold his or her share of a property to be divided equally, he or she must pay capital gains tax for whatever profit made over one-third of the new basis. Other tax consequences include estate taxes. However, the estate must total \$675,000 or more for tax year 2001 before tax issues become a concern. The IRS allow residents to pass on property, cash and other assets worth up to a total of \$675,000 for tax year 2001 before charging the heirs any taxes. This figure will rise each year for the next several years. Regarding the transfer of ownership, quit-claim deeds often are used between family members in situations such as this when an heir is buying out the other. All parties must be agreeable to dropping a name from the title. For more information, consult the IRS's Publication 448, "Federal Estate and Gift Taxes." Order by calling 1-800-TAX-FORM.

