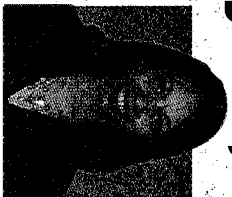


LOCAL EXPERT

Clients trust you, whether it's a house or hobby

Realtors are resource for education, information

Although taxes are due within days, REALTORS® have the opportunity to educate year round. Research shows that clients and customers make decisions based on emotion, with logic as backfill. With that being said, trust and integrity are vitally important in building relationships. REALTORS are a valuable resource to many homeowners, not only in the purchase or sale of a home but in financing and quality of life issues. To keep you up to speed on 2008-09 tax law changes and additions, below is an update on what those in the real estate industry, and their clients, need to keep in mind, especially during tough economic times. Several bullets are specifically related to homeownership, while others are informational but valuable to clients or business partners.



By Trinity
Bradley-Anderson
CPA

The First-Time Home Buyer's 10% Credit

In an effort to boost home sales, the First-Time Home Buyers 10% Credit is increased up to \$8,000 for purchases between January 1, 2009 and December 1, 2009. The most significant change made by the legislation is that the new credit does not have to be repaid. The home must be occupied as the buyer's principal residence within 24 months of the purchase and the credit phases out for taxpayers with adjusted gross incomes in excess of \$75,000 (\$150,000 in the case of a joint return). The credit is refundable and is recaptured if the home is sold within 36 months of the purchase date.

Mortgage Forgiveness Debt Relief Act

Foreclosure filings soared to a record-setting 4,602 in 2008 in El Paso County, breaking last year's record 3,556*. In response to the housing crisis and the escalating foreclosure rate, the Mortgage Forgiveness Debt Relief Act of 2007 provides tax relief for homeowners



whose mortgage debt is forgiven. Prior to the enactment of the Mortgage Forgiveness Debt Relief Act, a homeowner could be taxed on the amount of forgiven mortgage debt. Under the new law, the taxpayer does not have to pay Federal income tax on up to \$2 million of debt forgiven from a qualifying loan secured by a qualifying principal residence. It applies to qualified principal residence indebtedness forgiven in calendar years 2007 through 2012. Only debt that is directly related to the acquisition and substantial improvements to the taxpayer's principal residence qualifies for the exclusion.

Itemized deduction for new car purchasers

Purchasers of new automobiles (cars, light trucks, SUV's, motorcycles and motor homes) in 2009 will be allowed to deduct the state and local sales taxes paid as an itemized deduction. The deduction phases out starting with taxpayers earning \$125,000 per year (\$250,000 for joint returns). The deduction is allowed to both those who itemize their deductions as well as to non-itemizers. However, the deduction cannot be taken by a taxpayer who elects to deduct state and local sales taxes in lieu of state and local income taxes.

Expanded depreciation deductions

The bonus depreciation provision which allows the deduction of up to fifty percent of the cost of certain tangible personal property and qualified leasehold improvements has been extended to include expenditures made in 2009. The provision which allows the direct expensing of certain tangible personal property has been increased to \$250,000 for 2009. The deduction begins to phase out for businesses which have purchased over \$800,000 in assets.

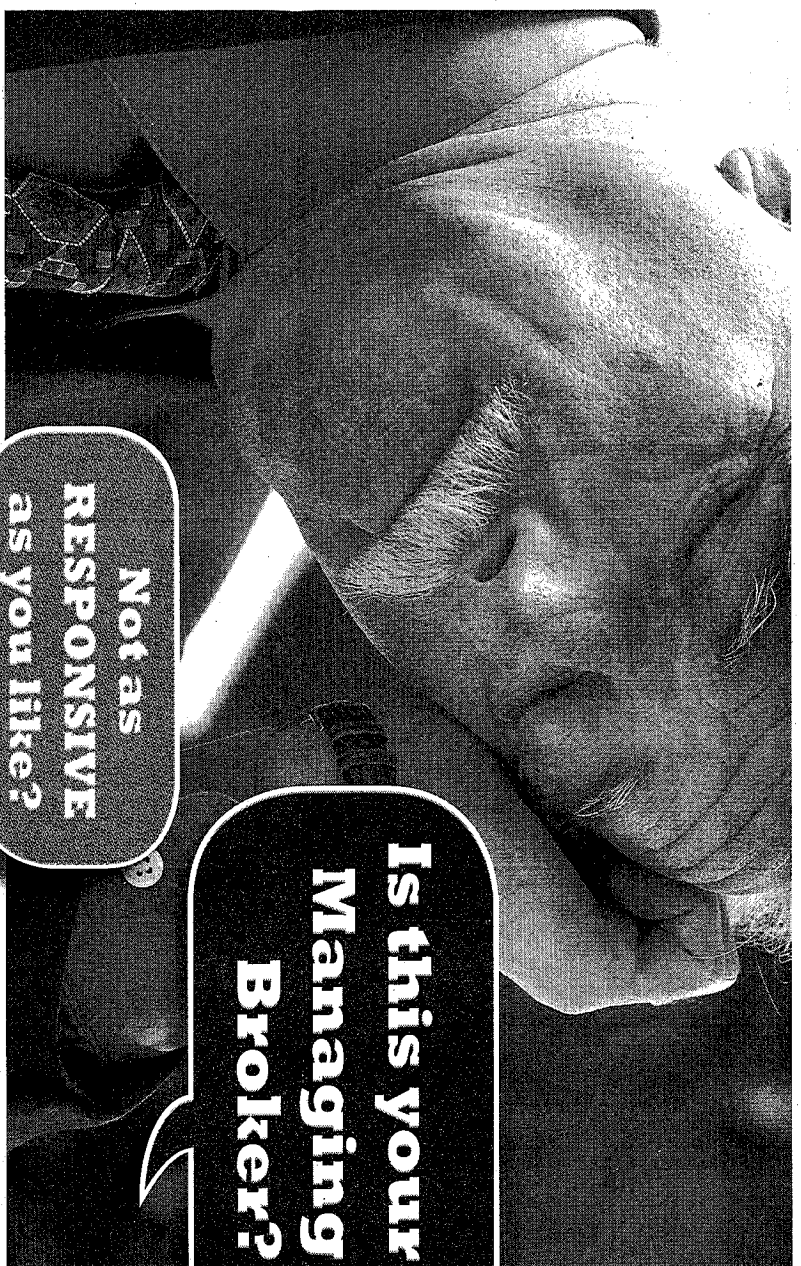
"Making Work Pay" credit

The new law provides an individual tax credit in the amount of the lesser of 6.2% of earned income or \$400 for single returns and \$800 for joint returns in 2009 and 2010. The credit is phased out at adjusted gross income (AGI) in excess of \$75,000 (\$150,000 for joint returns). The credit can be claimed either as a reduction in the amount of income tax that is withheld from a paycheck, or through a credit on a tax return.

For more information on changes to the tax code visit irs.gov or a local tax professional.

*El Paso County Public Trustee's Office

Submitted by Trinity Bradley-Anderson, CPA, Tax Manager at Stockman Kast Ryan and Co., LLP, Southern Colorado's largest locally owned certified public accounting firm providing a variety of in-depth business services.



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