The Home Edition

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10 Most Overlooked Real Estate Tax Breaks

By Robert J Bruss, Inman News

As I learned a few years ago, it's much easier to correctly claim a real estate tax deduction when filing your original tax return than to later file an amended IRS Form 1040X to claim a forgotten tax deduction. I discovered the IRS hates to part with money so they often scrutinize 1040X refund requests due to additional deductions extremely carefully.

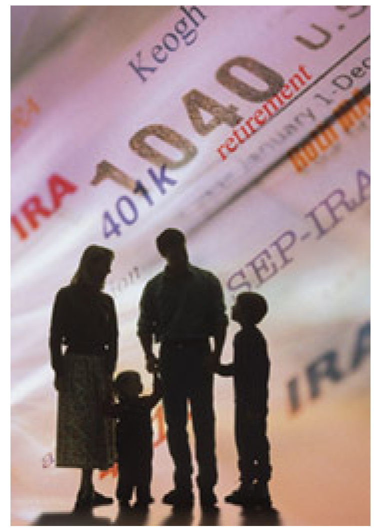
However, if you later remember an overlooked tax deduction that can be documented, form 1040X can be used to amend your tax returns up to three years after the original due date. Here are the 10 most frequently forgotten real estate tax deductions:

1. LOAN FEE "POINTS" PAID TO OBTAIN A HOME ACQUISITION MORTGAGE.

Homeowners rarely forget to deduct their mortgage interest and property taxes. However, if you bought your principal residence in 2005, and if you paid the mortgage lender a loan fee (usually called "points"), that loan fee is deductible as itemized interest on Schedule A. Each point equals 1 percent of the amount borrowed. To illustrate: if you obtained a $200,000 mortgage to buy your home, and if you paid a two-point loan fee to the lender, that $4,000 fee qualifies as itemized interest. However, if you paid a loan fee to obtain a mortgage secured by other real estate, such as an investment property, that loan fee is never fully deductible up-front and can only be deducted over the life of the mortgage. But the IRS Form 1098 your lender sent you reporting your 2005 annual interest paid might not include the loan fee. Be sure to double-check. Your best proof of the loan fee payment is often the closing statement received when the acquisition mortgage was recorded.

2. DEDUCT MORTGAGE REFINANCE FEES PAID TO THE LENDER OVER THE LIFE OF THE MORTGAGE.

If you refinanced your home loan, as millions of borrowers did in 2005, and if you paid a loan fee to obtain that refinanced mortgage, it can only be deducted over the life of the mortgage, such as 15, 20, or 30 years. For example, if you paid your lender a $3,000 loan fee to refinance your 30-year home mortgage, you can deduct $100 each year for the next 30 years. The general rule is for each one-point loan fee paid, the lender's interest rate should decline by at least 1/8 percent. For example, if you paid a two-point loan fee, the lender should have reduced the interest rate on your new loan at least 0.25 percent.



Because this annual loan fee deduction for refinanced mortgages is so small, it is easy to forget. Instead, many borrowers prefer to obtain so-called "no cost" refinanced home loans even if the fully deductible interest rate is slightly higher. Another reason to avoid paying a loan fee on a refinanced mortgage is most home loans are paid off or refinanced in less than 10 years, either due to sale of the property or another refinancing.

3. DEDUCT UNDEDUCTED LOAN FEES FROM A PRIOR HOME LOAN REFINANCE.

In 2005, if you refinanced a prior refinanced home loan, remember to deduct any remaining undeducted loan fee in the tax year of the refinance. For example, suppose you had $2,000 of undeducted loan fees remaining from a prior home mortgage refinance. That $2,000 became fully deductible interest as a lump sum in the year of the second refinance.

4. DEDUCT THE MORTGAGE PREPAYMENT PENALTY YOU PAID.

If you sold your home in 2005, or refinanced your mortgage, and had to pay a mortgage prepayment penalty to the old lender, that prepayment penalty qualifies as itemized tax-deductible interest. Prepayment penalties most frequently apply to home loans during the first three to five years, depending on the terms of the mortgage.

5. IF YOU CHANGED RESIDENCES AND JOB LOCATION IN 2005, YOUR MOVING COSTS MAY BE TAX DEDUCTIBLE.

It doesn't matter if you are a renter or a homeowner, but you may qualify to deduct your unreimbursed moving costs if you changed both your residence and job location in 2005. Moving costs can be a huge tax deduction, especially if you made a long-distance move that was not paid by your employer. The residence move must come within 12 months before or after the job site change. Use IRS Form 3903 to calculate and claim this big tax break. To qualify, the distance from your old home to your new job location must be at least 50 miles further than was the distance from that home to your old job site. The distance from your new home to the new job is irrelevant. For example, suppose your old residence was five miles from your work site. That means if your new job location is at least 55 miles from your old home (five plus 50), you can qualify to deduct your direct moving costs. However, if you meet the distance test, you must also meet the work time test in the vicinity of your new location. This second test requires either employment for at least 39 weeks during the subsequent 52 weeks or, if you are self-employed, working at least 78 weeks during the next 104 weeks in the vicinity of your new job location. Either spouse can qualify, but part-time work doesn't count.

" Moving costs can be a huge tax deduction, especially if you made a long-distance move that was not paid by your employer."

6. DON'T FORGET TO DEDUCT ANY UNINSURED CASUALTY LOSS.

If you suffered an uninsured "sudden, unusual, or unexpected" loss, such as those due to a fire, flood, hurricane, tornado, earthquake, mudslide, theft, accident, water damage, riot, embezzlement, vandalism, snow, rain, or ice storm, you may qualify for the casualty loss tax deduction. But slow losses are not deductible. Non-deductible examples include termite damage, dry rot, rust, moth damage, Dutch elm disease, erosion, mold, corrosion, and dry well. To qualify, the casualty loss deduction must exceed 10 percent of your 2005 adjusted gross income, plus a $100 "floor" per casualty event. However, these limitations are waived if your casualty loss was due to Hurricanes Katrina, Rita, or Wilma. Brand-new IRS Publication 4492 details the special tax relief granted by the IRS and Congress to these hurricane victims. There are also special business tax breaks for depreciation, expenses, and other losses. For a copy, call the IRS at 800-829-3676 or go to www.irs.gov/pub/irs-pdf/p4492.pdf.

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7. REMEMBER TO DEDUCT PRO-RATED PROPERTY TAX IN THE YEAR OF HOME SALE OR PURCHASE.

Another often-overlooked homeowner tax deduction occurs in the year of sale or purchase. As part of the sale closing settlement, the property taxes must be pro-rated between the buyer and seller based on the number of days each party owned the home during the property tax year. Your best proof of payment of your pro-rated property tax share is usually the closing settlement statement.

8. DEDUCT PRO-RATED MORTGAGE INTEREST IN YEAR OF HOME SALE OR PURCHASE.

Another pro-rated itemized tax deduction, if you bought or sold your home in 2005, is the pro-rated mortgage interest for the month of sale. This pro-rated interest deduction occurs if the home buyer assumed or purchased "subject to" an existing mortgage. The best proof of this pro-rated mortgage interest deduction is the closing settlement statement. Of course, when a home buyer obtains a new mortgage, there is no pro-rated interest deduction on the old mortgage.

9. REMEMBER TO DEDUCT PREPAID PROPERTY TAXES AND MORTGAGE INTEREST.

If you are like millions of U.S. homeowners looking for every dollar of tax deductions, you may have prepaid your part of your 2006 property taxes and mortgage interest in December 2005. These payments are tax deductible in the year of actual payment. Not all property tax collectors allow prepayment, but many do. Or, if you are like me, you may have prepaid your January 2006 mortgage payment in December to gain a few hundred extra dollars of itemized interest deductions.

10. DEDUCT GROUND RENT IF YOUR HOME IS ON LEASED LAND.

A little known tax deduction for the millions of homeowners whose residences are on leased land is the ground rent payments. To qualify, Internal Revenue Code 163(c) permits homeowners living on leased land to deduct their ground rent payments if a) the ground lease is for at least 15 years, including renewal periods, b) the land lease is freely assignable to the buyer of your home, c) the land owner's interest is primarily a security interest (similar to a mortgage), and d) you have a current or future option to buy the land beneath your home. If your situation does not meet all four of these tests, your ground rent payments are not tax deductible as interest. To illustrate: if you rent a "lot" or "pad" in a mobile home park, your monthly rent paid to the park owner is not deductible unless you have at least a 15-year lease with a land purchase option for your lot or pad.

Landscaping For Dogs

" Planting in dense clusters where dogs can't run is more sustainable and is a better garden design "

Anyone who has ever owned a dog knows all about worn paths, shredded shrubbery, flattened flowers and yes, the burn spots affectionately known as "dog spots." If this sounds familiar, then you may need some pet-friendly landscaping.

For Barb Heideman, the relationship with her dogs was downright dastardly. She loved watching her dogs play, and she wanted to keep a little racetrack they developed through the evergreens and flower beds without having to grit her teeth every time they ran through it. In her quest to form a truce between her rough-and-tumble dogs and her luscious landscaping, Barb hired Fran Kiesling of Dirty Dog Landscaping, a designer who landscapes yards for people with pets. And for Barb, Fran was a dog send!

Fran's first step was to find out how the dogs use the space: where they play, where they lie down, where they eliminate, where they walk and what favorite views they have (Fran says dogs like to be elevated for a good view). Then Fran designed a plan that is both pleasing and practical. She offers easy solutions to common problems that occur when sharing space with pets.

Owners often complain of dirty paws tracking mud into the house. Fran suggests creating an area between the yard and the doorway where the dogs can wipe their feet, so to speak. And single trees or bushes in the landscape are vulnerable to damage when dogs start to play, so plant trees, shrubs and flowers in clusters. She also stresses the importance of getting your dogs off the grass when they eliminate. Train them to use a shredded wood or gravel area. It's important to train your dogs to run and play on the lawn and stay away from bushes and flower beds.

Fran says landscape elements can back up the training. Creating areas outside that are comparable to areas inside can help a dog understand what's wanted. For example, stonework outside is like linoleum or bare floors inside, and boulders, trees and shrubs are like furniture. The dogs can learn that good manners are expected outside and inside, so if they're going to play, they have to go to a play area.

And then there's the digging. A dog's gotta dig, doesn't he? Fran says you have to work with the dog through training to dig only when it's okay with you or to dig only in a place that's okay with you. Use a command like "no dig." And the minute the dog stops digging, give him a treat or praise him, or whatever training works for your dog.

For pets with sniffing snouts and hearty appetites, homeowners must be careful with plants they pick. Some favorite landscape plants like rhododendrons are toxic and will make a dog sick. If you're not sure which plants are poisonous, check with your local garden center. But Fran says you shouldn't have to eliminate the plant. She says homeowners must pay particular attention to obedience training. She uses this example: if you've trained your dog not to eat the furniture, then you can train your dog not to eat the shrubbery. Then you won't have to worry about what is toxic and what is not.

Source: HGTV.com

5 Spring Cleaning Tips

1 Work from the top down, inside to outside, to avoid getting what you just cleaned dirty again.

2 Do one room, even one area of one room, at a time to avoid unfinished jobs.

3 Do two things at once. While laundry is going, scrub the shower stall.

4 Invest in good rubber or vinyl gloves to protect your skin and nails.

5 Don't stand your brooms on their bristles. It will destroy their shape and diminish their effectiveness. Instead, get a broom holder, like the Magic Holder 5-position broom organizer.

source: www.styleathome.com

Increase Your Buying Power With Capital Gains Reinvestment

By Elaine VonCannon

When it comes to selling property capital gains reinvestment can be an important strategy for homeowners and commercial and business owners. The Internal Revenue Service requires capital gains tax to be paid on the sale of all capital assets, including properties. Once the sale occurs the tax expense can be enormous, but with a little ingenuity capital gains tax can be avoided and the tax burden relieved. The sale of a home or an investment property can facilitate incredible steps forward for anyone in the real estate market. Planning, education and consulting the experts are the keys to increased buying power!

Uncover the Secret to Real Homeowner Potential

The Internal Revenue Service allows gain generated by the sale of a home to be excluded from federal tax returns. The homeowner must meet the IRS requirements for exclusion. Eligibility for exclusion is based on the five-year period prior to the sale. If a homeowner has owned the property for at least five years and lived in it as a primary residence for at least two years, as much as $250,000 of the gain does not have to be reported on the yearly tax return. For couples filing jointly, up to $500,000 can be excluded based on the eligibility of each spouse. An unknown fact in the real estate world is that exclusion can apply to the sale of vacation and rental homes if they have been used as a primary residence for two out of the last five years. This amount of unreported gain leads to huge savings and greater investment potential.

The Hidden Advantage of Tax Exchange

In the past property exchanges were regarded as highly complex. The current real estate market now agrees that property exchanges are trouble-free, secure and profit producing. Even if a commercial or business property owner sells and then immediately reinvests, capital gains tax must be paid. The Internal Revenue Code Section 1031 allows a taxpayer to exchange property used productively in a trade, business or investment for property of a like-kind. In the exchange the IRS does not recognize any loss or gain and the capital gains tax is deferred. This deferral allows property owners to utilize money originally budgeted to pay the government for investment.

Following the Rules Leads to Success

IRC Section 1031 has strict guidelines for property owners to follow while engaging in property and tax exchange. Consultation with real estate professionals, qualified intermediaries, lawyers and accountants is essential. Like-kind commercial and investment properties must be the same in nature and have comparable characteristics. The properties can differ in quality and improved property may be exchanged for unimproved property. The relinquished property must be exchanged for a property of equal or greater value, equity or debt. If the replacement property is of lesser value, equity or debt tax is then computed for the amount of the gain or the difference in value. The property owner must pay whichever cost is lowest. Also, properties are only considered to be like-kind when they are located within the same country. Properties within the United Sates cannot be exchanged for properties located outside of the country.

Time Is Money

Property exchange does not require the taxpayer to sell and buy simultaneously. The Tax Reform of 1984 imposed precise limits on the amount of time an exchange transaction can be in process. Property owners have 45 days from the sale of the relinquished property to identify a replacement property. The exchange must be completed within 180 days of closing or on the tax return due date for the current year. Do not miss identification or exchange deadlines! If these deadlines are not met the exchange is no longer qualified and the capital gains tax must be paid.

Armed with knowledge and creativity any property owner can increase their buying power and take their real estate success to even greater heights. Remember to find real estate and financial professionals to assist with adherence to the federal laws. Once you have learned to the most lucrative way to manage your ventures and capital gains real estate victory will be at hand!

The Story of the Yorktown Onion

From www.YorkCounty.gov

The Yorktown onion is not native to this country, but came from the Old World. The scientific name of both our plants and those of the Old World is Allium ampeloprasum. Allium is Latin for garlic, while alpeloprasum means "leek of the vineyard".

Though the plant is always referred to as the Yorktown Onion here, there are several other common names. In print it has been called wild onion, giant wild garlic, and wild leek.
Our plant probably made its way to the New World, like many other plants, by accident. Legend has it that the seeds came here during the Revolutionary War mixed with crop seeds or fodder. Regardless of how it got here, it became firmly established as a wild plant in what is now York County.

The Yorktown Onion is protected by law, as Section 17-35, Subsection B, of the York County Code

Hampton Roads Events March/April

Williamsburg Film Festival
Date: Wednesday, March 08, 2006 - Saturday, March 11, 2006
Holiday Inn Patriot
3032 Richmond Rd Williamsburg, VA
Phone: (757) 482-2490
9:00AM - 11:00:00 PM

"Honoring the Golden Age of Hollywood". Movie Stars in person. Daily autograph/ photo sessions, daily star interviews, two movie viewing rooms, big dealers room, nightly entertainment, Saturday Night Dinner Show.

Battle of Hampton Roads Weekend
Date: Friday, March 10, 2006 - Sunday, March 12, 2006
The Mariners' Museum
100 Museum Dr Newport News, VA
Phone: (757) 596-2222
10:00AM—5:00 PM

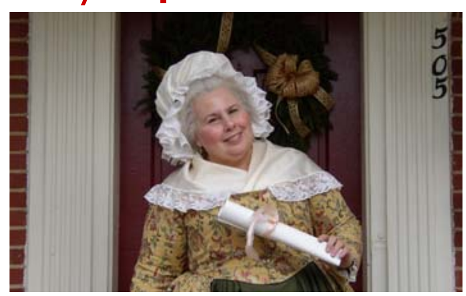
Some of the Civil War's most important battlefields can't be reached on foot. Hampton Roads Harbor was the site of the first battle between ironclad ships, which was perhaps the most significant naval event of the entire Civil War. Join us for the fourth annual Battle of Hampton Roads as we celebrate the Civil War Navies. Experience Civil War encampments, enjoy tours of the Museum, and witness a modern day press conference with President Abraham Lincoln.

Tidewater Boat Show
Date: Friday, March 17, 2006 - Sunday, March 19, 2006
Hampton Roads Convention Center
1000 Coliseum Drive Hampton, VA
Phone: (804) 425-6556

Royal Productions is proud to bring to the new Hampton Roads Convention Center a boat show with dealers from Central and Tidewater Virginia showing all types of power boats, accessories and water sport products. Booths will also be available with information on boating rules, financing, insurance, maintenance and storage. Hours on Friday are Noon to 9 pm; Saturday from 10 am to 8 pm; Sunday from 11 am to 5 pm.

Norfolk's International Azalea Festival: A Salute to NATO
Date: Monday, April 24, 2006 - Sunday, April 30, 2006
220 Boush Street
Norfolk, VA 23514
Phone: (757) 282-2801
Email: amcleod@azaleafestival.org

Each April, when the azaleas are in full bloom, Norfolk rolls out the red carpet to honor the North Atlantic Treaty Organization (NATO) with a weeklong celebration. Events include The Parade of Nations, Music Festival, Art Exhibits, and The Coronation of Queen Azalea and her Court. This year the festival celebrates Canada.



2006 International Children's Festival
Date: Saturday, April 15, 2006
Mill Point Park
100 Eaton Street Hampton, VA
Phone: (757) 727-8311
10:00 AM- 5:00 PM

Prepare yourself for sensory overload at the International Children's Festival as you experience the sights, sounds, and tastes of over nineteen countries, Native Americans and Africa. This festival provides an opportunity to experience this diversity as participating countries showcase their heritages through educational exhibits, entertainment, food and fun.

Art on the Square
Date: Sunday, April 23, 2006
Merchants Square
Williamsburg, VA 23185
Phone: (757) 253-0192
10:00 AM - 5:00 PM

Thousands come to downtown Williamsburg to enjoy this juried art show featuring original, high-quality, handcrafted & diverse art media.

Elaine VonCannon

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Be Sure To Visit My Website:

www.voncannonrealestate.com

Another Satisfied Customer!

Ask Elaine. . .

Q: Dear Elaine,

I heard of a situation from a friend who was charged for a $295 "transaction fee" from their realtor. As a home seller, I had a similar "junk fee" incident when I sold my home. The listing agent received his sales commission of about $16,000. Until the closing, we were very satisfied with his services. But then he demanded and unexpected $495 "administration fee" at the closing. We told him that his commission should have sufficiently covered this fee. Only when I phoned his broker did he agree to waive the fee. Is this fee customary?

~Lance, Saluda

A: Dear Lance,

Unfortunately, many real estate brokerages are trying to impose unexpected transaction, administrative or other charges on unsuspecting sellers and buyers at the time of the closing. I agree that the sales commission is extremely adequate compensation and should cover these fees. I would never charge a client for "administrative expenses" or the like. All selling, advertising and administrative expenses are covered by my commission. Smart real estate agents whose firms demand these extra fees will often cover these for their clients with money from their own pockets to maintain good-will with their buyers and sellers if they want future business from the client.

Elaine

Elaine is more than happy to answer any and all of your real estate questions. Please send inquiries to:

voncannonrealestate@cox.net

Lime Ginger Chicken

This is a tangy chicken recipe that's perfect for a summer cookout. Marinate skinless, boneless chicken breasts in a blend of lime juice, soy sauce and ginger then simply grill or broil.

INGREDIENTS:

4 skinless boneless chicken breasts

Juice of 2 limes

2 tsp reduced sodium soy sauce

1 tsp freshly grated ginger

1 tsp sesame oil

1 garlic clove, minced

1 bunch green onions, finely chopped

PREPARATION:

Place chicken breasts in a shallow glass dish. Combine lime juice, soy sauce, ginger, oil, garlic and scallions, and pour over chicken, turning the chicken over to coat both sides. Cover and marinate in the refrigerator for 2-4 hours.

Grill on medium high or broil for 6 minutes each side, until the chicken is done. Serves 4 Per Serving: Calories 197, Calories from Fat 29, Total Fat 3.2g (sat 0.8g).