



# CLASSIFIED REAL ESTATE

## REAL ESTATE NEWS

### Keep the tax man at bay by utilizing deductions

By taking advantage of available tax deductions and tax-saving strategies, the Michigan Association of CPAs points out that you can offset some expenses of home ownership.

Here's some news to consider:

- **Loan origination fees.** If you recently secured a mortgage to buy a house and paid points to your mortgage lender, you may be eligible for an immediate tax break. Each point equals 1 percent of the loan's total amount. If you paid the points with personal funds, they are usually fully de-

ductible as mortgage interest in the year paid. But if you paid points from the loan proceeds, you will most likely have to deduct the points over the life of the mortgage.

■ **Mortgage interest.** Your biggest opportunity for tax savings relates to the interest paid on your mortgage. Generally, you may deduct interest on acquisition loans of up to \$1 million as long as you use the funds to construct, purchase or improve a principal or second residence. If you are married and file separate-

ly, the limit is \$500,000.

High-income taxpayers should note that mortgage interest is an itemized deduction and therefore may not be entirely deductible if your adjusted gross income (AGI) exceeds \$105,250.

- **Home equity loans.** Many homeowners can increase their borrowing power and save on their taxes by taking advantage of home equity loans. The interest on loans of up to \$100,000 is generally tax deductible, provided the loan amount doesn't exceed the difference between the fair market

value of the house and the amount owed on it.

- **Real estate taxes.** In most instances, you can fully deduct any real estate taxes charged against your property. These include any property taxes that you are required to pay at the time you close on a new house. Owners of cooperatives can deduct their pro-rata share of real estate taxes assessed on the building itself.
- **Home improvements.** Uncle Sam doesn't give a tax break for the costs of routine home repairs. But if you decide to remodel or

make a significant improvement to your home, such as adding a bathroom, some of the cost you incur may reduce the amount of taxable gain realized when you sell your residence. In the eyes of the IRS, eligible home improvement costs include those that add to the value of your home, considerably prolong its useful life or adapt it to new uses.

- **Selling your home.** If you sell your principal residence at a profit, you can defer paying taxes on the gain as long as you meet two conditions: You buy or build a

new principal residence within two years before or after the date you complete the sale of your home and the purchase price of your new residence equals at least the adjusted selling price of your old home.

The adjusted sales price is the actual sales price of your home minus certain selling costs. These include expenses incurred to repair and fix up your home as long as the work was completed within 90 days before you signed the contract to sell your house and paid for within 30 days after the sale.

### Careful selection, active participation guide to condo living

I am thinking of buying a condominium but am weighing the consequences as compared to a single family home. I read your column on a regular basis and see there are problems in condominiums. What do you think?



While the column is intended to alert persons who reside in and serve on boards of directors of condominiums and

other community associations of potential problems incident to their operation, that is not to say that there are not tremendous advantages in buying a condominium. These advantages include the fact of enhanced security, additional amenities available to purchasers, savings in expenses in regard to maintenance and repair responsibilities in some instances, and social and political benefits incumbent in community associations.

Condominium living can be an enjoyable and beneficial experience if the purchaser is careful regarding the selection of the condominium and takes an active participation in the successful op-

eration of the association.

Our condominium bylaws state that the books of account should be reviewed at least annually by a qualified and independent accountant and that the accountant need not be certified. Does this mean that a review must be accomplished by accountants or can be done by other co-owners who are not officers or board members?

I believe it should be done by accountants who are both qualified and independent — notably that they do not have any proprietary interest in the condominium. Accordingly, co-owners would not qualify in my opin-

ion as satisfying the requirement of the statute and condominium bylaws.

We are really in a sad state of affairs because our management company has not been performing the services we want. We would like to start a suit against him, but the attorney for the board, who was recommended by the management company, claims that he would be disqualified if he pursued the management company. Now I have found out that the management company and the attorney have had business dealings together and have a long relationship. Some of the board

members want to ax both and sue both. What can we do?

If the facts that you relate can be substantiated, you are well advised to retain independent counsel who does not have any affiliation with the management company or the attorney to consider whether you have a cause of action against either or both parties. It appears that you were not aware of the relationship between the management company and the attorney (which should have been disclosed to you by both), which apparently had an impact on the willingness of the attorney to pursue the management company. I

am reasonably confident that new counsel can provide you with an insight into your rights and prerogatives in pursuing the appropriate parties.

Robert M. Meisner is a Birmingham attorney concentrating his practice in the areas of condominiums, real estate and corporate law. You are invited to submit topics you would like to see discussed in this column by writing Robert M. Meisner at 30200 Telegraph Road, Suite 467, Birmingham Farms 48025. This column provides general information and should not be construed as legal opinion.

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