

This column highlights promotions, transfers, hirings, awards won and other key personnel moves within the suburban real estate community. Send a brief biographical summary — including the towns of residence and employment and a black-and-white photo, if desired — to: Movers & Shakers, Observer & Eccentric Newspapers, 36251 Schoolcraft, Livonia 48150. Our fax number is (313) 591-7279.

Char to manage office



Joan Char, a Farmington Hills resident, has been named manager of the West Bloomfield office of Coldwell Banker Schwitzer at 33030 North-western. She is an active member of the Western Wayne Oakland County Association of Realtors and has earned a multi-million dollar associate broker award.

Drake receives GRI



Wayne Drake, a Realtor with Coldwell Banker Preferred in Plymouth, has received the professional designation of Graduate Realtors Institute. Drake completed a comprehensive study in contractual law, commercial acquisition and finance, fair housing, new construction and professional standards. He also holds the professional designation of Certified Buyers Representative.

Magazine honors Jones

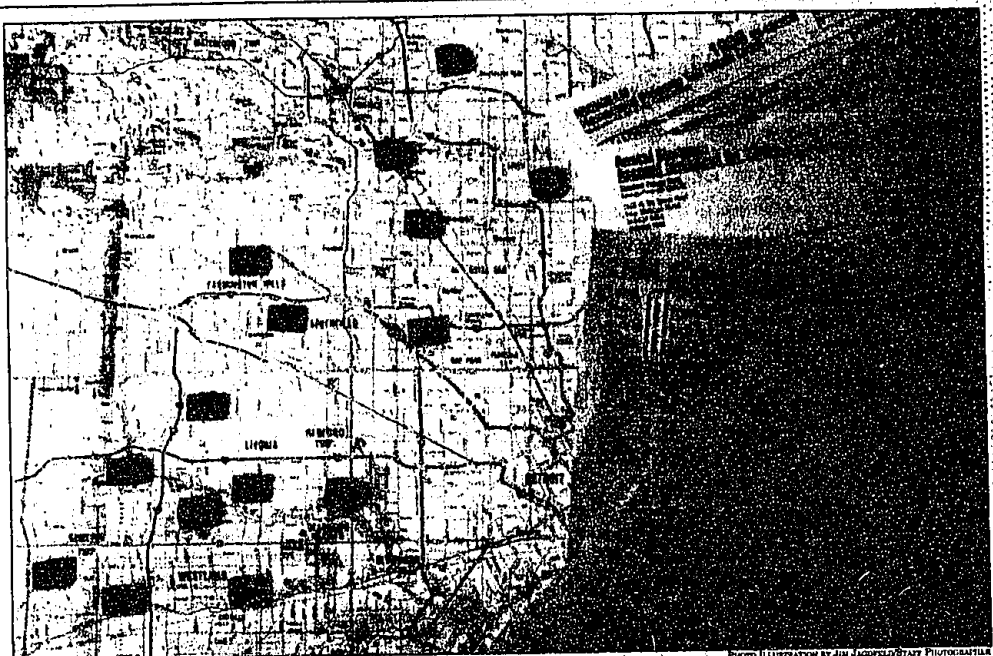


Carole Jones, partner at Robert R. Jones Associates in West Bloomfield, was one of 17 professional women from across the United States featured recently in a special report in Professional Builder magazine. The issue — women who serve as presidents or partners in building companies. Carole and Bob build luxury, single-family homes. In addition to tending to accounting and scheduling matters, Carole said, "I'm Bob's sounding board for anything he wants to bounce."



Classified Index

ROBERT M. MEISNER



Tax ramifications: Credits and deductions are still available to homeowners.

Deductions sweeten ownership

By DOUG FUNK

STAFF WRITER

Deductions still figure in the home ownership equation.

While most people primarily buy into a way of life with ownership — a place of land, their own castle, a sense of neighborhood — tax breaks for mortgage interest and property taxes also are important.

But just how important is difficult to measure.

"It's a whole package," said Deborah Field Cavanaugh, a Realtor associate with Hall & Hunter in Birmingham. "I think the number one reason (to own) is lifestyle, then financial."

Some 1.15 million individual federal tax returns filed in Michigan in 1993 claimed a deduction on Schedule A for interest expense, said Ely Maccani, a spokeswoman for the Internal Revenue Service in Detroit.

That deduction, like others to reduce taxable income, is permitted only for interest paid on mortgages or home equity loans and available only to owners of property.

Some 1.3 million federal returns filed in Michigan in 1993 showed a deduction for taxes paid, which the IRS didn't break down between real estate taxes or income taxes, Maccani said.

However, it's not a far reach to figure that the same people who deduct mortgage interest would also take property taxes.

"I think they're real important," said Diane Tedder, a certified public accountant with a practice in Livonia. "There's no doubt owning your home is the best investment you can make," she said. "Not only can you take itemized deductions, but you're living in a place that's appreciating in value."

Even without tax write-offs, the appreciation makes home ownership a good investment, Tedder said. Congress adopted tax laws not only to raise money, but also to set social policy.

In recent years, deductions have been eliminated for state sales taxes and personal interest expenses including credit card debt.

Mortgage interest and property taxes — along with state, local income taxes and charitable contributions — are among the handful of deductions available to most people today, Maccani said.

Awareness of home ownership deductions shows up at both ends of the buying spectrum.

"I hear people say all the time, 'We have two incomes, we need write-offs for taxes,'" said Mary McLeod, president of the Western Wayne Oakland County Association of Realtors and an associate broker with Coldwell Banker Schwitzer in Northville.

"It's one of the factors particularly noted by first-time buyers . . . as a reason to own rather than lease," said

Nita Anderson, president of the Birmingham Bloomfield Rochester South Oakland Association of Realtors and sales manager for Prudential Great Lakes in Bloomfield.

"I always notice when I'm at the closing table, the officer of the bank closing the loan says, 'These are deductible items and check with your tax advisor because these may be deductible,' you always see young couples or old couples, they perk right up," Cavanaugh said.

Dr. Keri Topouzian, wife, Rita, and children are shopping for another house.

"Our purchase isn't based on tax advantages," Rita said. "You think of it, consider it, but it will not be the deciding factor."

"We're looking at more of a lifestyle, school district, stability of a city, value of real estate," she said.

Reinforcing that view, Rita said, was how the tax code changed for limited partnerships after her husband invested in limited partnerships for tax advantages.

Barry Miller said he bought his first house solely for the schools years ago when his children were young. Now, finances are more important as he relocates here from Florida.

"At my age now, 50, home ownership doesn't mean a lot to me," he said. "If I buy a house, it's for appreciation, amenities in the community and the

write-offs the government gives me on taxes."

There are other tax ramifications to home ownership other than deductibility of mortgage interest and property taxes.

■ Points (mortgage origination fees) are also tax deductible on Schedule A — all at once on an original mortgage, pro-rated over the years on a refinancing.

Also, all remaining pro-rated points on an initial refinancing can be deducted on a subsequent refinancing.

■ Uncle Sam will let you defer tax on any capital gain (Form 2119), the difference between your buying price and selling price less adjustments, as long as you buy up.

■ The federal tax code currently allows a once-in-a-lifetime exclusion of tax on capital gains up to \$125,000 on a house for sellers at least 55 years of age (also Form 2119).

■ The Michigan homestead property tax credit is still available, even though property taxes were substantially reduced for many people with the passage of Proposal A in 1994. Do the math to see if you qualify.

■ A federal mortgage interest credit (Form 8396) is available for a first-home purchase within income guidelines. Contact the Michigan State Housing Development Authority at (800) 327-9158 for information.

You are still better off with your own insurance policy

REAL ESTATE
QUESTIONS



ROBERT M. MEISNER

A. Each master deed and set of condominium bylaws may be different as it relates to the responsibilities of the association to obtain insurance. Also, many association

insurance policies cover more than the bare minimum required in the condominium bylaws. If you are a co-owner in a condominium, you should obtain a copy of the association's insurance policy and as a board of directors, it should be monitored yearly, as is normally required by the condominium documents.

If you are a co-owner, and the association has additional and improvements coverage, you may wish to check with your own carrier. It may not be necessary for you to obtain such coverage since there, in effect, may be a double payment of a premium in this regard.

Q. We are often told to be sure we have better "additions and improvements" coverage in our homeowner's HO3 policy in the event that the condominium association doesn't have such coverage. What happens if the association does obtain that type of coverage for the individual units in our condominium project?

A. You should be careful, of course, to ensure that the association continues to obtain coverage that will protect you in the event of improvements to your condominium unit, excluding, of course, personal property, which is normally not covered by the association.

Q. We live in a cooperative and are concerned about some of the actions of our board. Recently in its bidding process, we needed to have some refurbishing done to the interior of the cooperative, and the managing agent apparently went out and got a builder's license in order to bid on the project.

Not surprisingly, the management company's subsidiary came in at a price below all other bids and was chosen. We in the cooperative feel this was a conflict of interest and/or a breach of duty owed to the association by the managing agent. What do you think?

A. It is difficult to comment with specificity without knowing all of the facts. If the management company did not disclose that it had formed a subsidiary

in order to bid on the project and took advantage of the information that it had as managing agent of the association, that would clearly be a breach of duty owed to the cooperative and, indeed, could be actionable.

If full disclosure was made to the cooperative, it also raises the question as to the propriety of the cooperative entering into contracts with affiliates of the management company to perform services besides managing as it relates to other prospective contractors.

Generally speaking, it is best to contract with someone who has no proprietary interest in the cooperative. When dealing with managing agents, their relationship to the cooperative should be considered in regard to awarding contracts to subsidiaries or affiliates of the managing agent.

Robert M. Meisner is a Birmingham area attorney concentrating his practice in the areas of condominiums, real estate, corporate law and litigation. You are invited to submit topics which you would like to see discussed in this column, including questions about condominiums, by writing Robert M. Meisner, 30200 Telegraph Road, Suite 467, Bingham Farms, Michigan 48005. This column provides general information and should not be construed as legal opinion.