CLASSIFIED REAL ESTATE

REAL ESTATE NEWS

Homeowner casualty, theft losses bear tax implications

Having a portion of your home destroyed by a fire or flood is a frightening experience. Estimating and recovering your losses after such a catastrophe can make you feel further victimized. But understanding the tax implications of your loss can help you to minimize the financial damage. According to the Michigan Association of CPAs, you can deduct a *portion of your casualty loss on* your federal income tax return.

Casualty losses are those that result from sudden, unexpected or unusual events, such as tornadoes, hurricanes and even severe storms.

The key word is sudden.

Damage to your property resulting from progressive deteriorations, such as termite damage, does not qualify as a casualty loss. Not all qualified casualty losses are limited to acts of nature. In certain situations, damage to your car in an accident may be considered a deductible loss.

If you deposited your money in a bank, credit union or another *financial institution that later* failed, you may also elect to claim a casualty loss rather than a nonbusiness bad debt, provided no part of your deposit is federally insured.

Keep in mind that accidental losses, such as losing your wedding band or breaking fine china, also do not qualify as casualty losses.

You may claim a theft loss as long as the loss resulted from an illegal action, such as a robbery to your home, and as long as the loss has not been covered by insurance.

The IRS requires that you prove the occurrence of a theft. Remember that just because an item is missing doesn't mean that it was stolen or that it can be deducted as a casualty loss.

Before making a casualty loss claim, you must make an insurance claim even if you do not expect reimbursement. The amount of the loss is reduced by any money you received from your insurance company.

The deduction for each loss is then limited to the amount in excess of $100 per loss occurrence, not per item. Be aware that the $100 limitation for each loss also applies to a husband and wife filing a joint return even if each of them *sustained a loss from the* same casualty. After applying the $100 floor, the aggregate unreimbursed personal casualty losses are deductible as an itemized deduction to the extent that the total exceeds 10 percent of your adjusted gross income.

In deducting a loss, be aware that you can deduct only the basis (usually your cost), not the fair market value. So if a gold and diamond necklace you purchased 10 years ago for $3,000 was stolen last month, when its fair market value was $8,000, your deduction would be limited to $3,000.

Generally losses are deductible only in the year they occurred. *There is one major exception to* this limitation: losses suffered in a federal disaster area may be claimed as an itemized deduction in the year the loss occurred or for the preceding year. To take the deduction for the preceding year and get an immediate refund of taxes already paid, you must file and amended tax return.

Regardless of the nature of the casualty loss, the IRS places the burden of proof on the taxpayer. You must be able to establish that your loss was a direct result of the casualty and verify the amount of the loss.

Immediately after the occur*rence of a theft or disaster that re*sults in casualty losses, make a comprehensive list of the missing items or damaged property. The time you spend documenting your loss may help you to reduce your taxes and ease the pain of your loss. •

Manager's salary dependent on more than number of units

CONDO QUERIES

ROBERT M. MEISNER

Our association has an extremely low monthly assessment ($60) and consists of approximatley 100 units. The value of the units are around $100,000 and are basically one-story units with an attached two-car garage. I have reviewed two other association budgets and found that the salaries paid to the manager vary from approximately 6-10 percent of the total monthly fees. I also realize that the compensation would vary based on the duties assigned to the manager. My concern is that I believe that the budget committee, as well as the board, have not been paying adequate compensation to our manager. Is there a rule of thumb used to cover this matter?

Obviously, the amount of compensation that will be paid to the manager is dependent upon his or her job responsibilities and duties. For example, is the person an on-site manager, does the person perform full-service management, including the letting of contracts and the supervision of contractors, as well as the bookkeeping and accounting for the association. Also, factors to be considered include the number of units that are to be managed and the length of the contract.

It is hard to estimate exactly what is fair compensation for a professional management company or a manager based solely on the amount of dues that are being collected or, for that matter, the number of units. •

Do you have any suggestions on how we can reduce the risk of alcohol-related liability?

Here are some suggestions that have been advanced by experts in the field:

1. Adopt reasonable rules and measures to prevent alcoholic beverage consumption on common areas such as pools, playgrounds and ball fields where the risk of injuries may be great.
2. Ascertain the scope of existence of liquor liability coverage in your master policy and follow your insurer's guidelines, especially when having or permiting parties within the community recreation areas.
3. Never let anyone else using the common elements sell liquor without obtaining the necessary insurance coverage and liquor control authority permits.
4. Include indemnity clauses in all clubhouse or facility rental permits for events when liquor may be served. Also include in these agreements a promise that the sponsor shall comply with all governing drinking age requirements.
5. Discuss with other directors, unit owners and the manager appropriate ways that a balance can be struck between enforcement of no drinking rules and otherwise acceptable use of common elements within your community.

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, Bingham Farms 48025. This column provides general information and should not be construed as legal opinion. To leave a voice mail message for Robert Meisner, dial 953-2047, mail box 1871.