




## Mortgage Forgiveness Debt Relief Act Extended To 12/31/13

The late night deal to avert the fiscal cliff included an extension of the 2007 Mortgage Forgiveness Debt Relief Act which was to expire on 12/31/2012. According to the National Association of Realtors, "A number of what lawmakers call extenders are in the bill. Extenders keep in place expiring tax provisions. Of most interest to real estate, the bill would extend mortgage cancellation relief for home owners or sellers who have a portion of their mortgage debt forgiven by their lender, typically in a short sale or foreclosure sale for sellers and in a modification for owners. Without the extension, any debt forgiven would be taxable, which, for underwater households, represents a financial burden."



Additionally, NAR stated, "The exclusion from taxes for gains on the sale of a principal residence of up to \$500,000 (\$250,000 for individuals) remains in effect, so only home sellers whose income is \$450,000 or above and the gain on the sale of their house is above \$500,000 would pay taxes on the excess capital gains at the higher rate (with corresponding numbers for individual filers). For the vast majority of home sellers, there is no change."

The relief act's extension was seen as vital to the recovering housing market. Short sales nationwide had been surging in anticipation of the exception's end on December 31, 2012. **The Mortgage Forgiveness Act will now expire on December 31, 2013.**

**Bottom line:** Realtors and Brokers cannot give tax advice, and each homeowner should contact a credible CPA for specific tax questions, however, based upon the extension of the Mortgage Forgiveness Act, the business and tax ramifications of doing short sales did not change from the past 5 years. If you are in the process of a short sale or considering one, a significant obstacle has been cleared. Additionally, if you are considering doing a short sale, now is the time to act!



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