

*The*

# Alpha-Omega Dispatch



*April 2008*

VALUE

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## **HAPPENINGS AROUND OUR OFFICE...**

Susan Harrington, the newest member of the Grace Title team, joined us at the beginning of April. She is a licensed title agent with over fourteen years of experience in the Central Florida market. We are delighted to have her join us and look forward to working with her. Next time you're in our office, be sure to introduce yourself!

Greg Gary, President and C.E.O. of Grace Title has recently been a guest on the Mortgage M.D.'s, a weekly radio show on WFLA 540 AM.

## **STOP BY AND SEE US!**

On Friday, April 11 from 2:00 p.m. until 5:00 p.m. we will be having an "Open House" in our office (does that make it an "Open Office"?). If your schedule allows, please stop by and say hello. Light refreshments are going to be available, but please let us know you're coming by calling Beverly at 321-207-0465 to RSVP.

## **NEW LAWS MAY HELP WITH TAX FILING**

Homeownership has often been associated with tax benefits and wealth creation. This year in particular, there are two changes to remember before sending in your final filing:

First is a new deduction for mortgage insurance premiums paid in 2007, and second is a new rule for mortgage debt that was forgiven last year.

These tax breaks, along with other credits and deductions, make homeownership one of the most significant areas for tax benefits.

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## **ARE YOU BECOMING AN ACCIDENTIAL LANDLORD?**

With housing pricing and activity continue in a temporary "holding pattern", rental rates are trending up in many markets. Due to this, a new sub-section of the real estate investment community has emerged: the "accidental" landlord. Some of these new landlords are people who simply purchased their own new home to move into before finalizing the sale of their previous home. Others are investors who had purchased properties to rehabilitate and sell, but found they faced an uncertain market and looked for other ways to generate income from their investments.

Many people are finding out that there is more to being a landlord than collecting rent checks! As a landlord for the past six years, below are a few things to consider if you or your clients find yourself in this situation:

### **Dollars and Sense**

While lease rates and occupancy are on the rise around many parts of the country, remember to pay very close attention to rental rates in your property's neighborhood. Since real estate is local, the best formula for success knowing your own neighborhood and the demand for rental units. It can help to find out what other rental properties that are comparable are bringing in for rent. Always remember to set realistic expectations, and don't always focus on the "expense" side of the landlord business. Passing up a month's rent by not being willing to concede \$100 per month over the course of the lease term is a common short-sighted mistake. That \$1200 you shorted yourself over the next year might seem like a lot, but having a vacant unit for an entire month is probably worth more than \$1200.

### **Professional Advice**

Consider consulting with professionals or invest-

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## **TAX CHANGES** *from page one...*

“The new mortgage insurance deduction and debt forgiveness provisions are good examples of how homeownership can pay off at tax time,” comments Mark Steber, vice president of Tax Resources at Jackson Hewitt Tax Service. “Coupled with other home-related benefits, such as credits for home improvements and deductions for mortgage interest and real estate taxes, homeowners may see great tax savings this filing season. We encourage homeowners to visit a knowledgeable tax preparer to learn more and claim all of the credits and deductions they may be entitled to due to their homeownership.”

For the 2007 tax year, homeowners can treat qualified mortgage insurance premiums as tax deductible if they were paid on a policy entered into after December 31, 2006, and before January 1, 2008, and if other requirements are met. The deduction is reduced by 10 percent for each \$1,000 over \$100,000 in adjusted gross income (AGI) for most taxpayers. The deduction is reduced by 10 percent for each \$500 that AGI exceeds \$50,000 for those who choose the Married Filing Separately status. For example, a married couple filing jointly, with an AGI of \$101,000, paying qualified mortgage insurance premiums of \$5,000 last year, is allowed a mortgage insurance premiums deduction of \$4,500. Taxpayers should also note that qualified mortgage insurance premiums can be deducted for rental properties purchased or refinanced in 2007.

Thanks to the Mortgage Forgiveness Debt Relief Act of 2007 (signed into law on December 20, 2007), taxpayers with mortgage debt that was partly or entirely forgiven during 2007 can claim special tax relief and not have their debt forgiveness treated as taxable income if the debt forgiven was for a principal residence and the balance of the loan is less than \$2 million (\$1 million for Married Filing Separately). The law applies to debt that was reduced through mortgage restructuring as well as mortgage debt that was forgiven in connection with a foreclosure.

Of course there are many things to consider for your personal tax situation, and only a tax professional who knows your situation can advise you accurately.

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## **LANDLORDING** *from page one...*

ing in a few books with tips for landlords. As a new landlord, you will need help learning, just like any new task. Most of us have a full-time job and cannot afford to take time from work to act as a full-time landlord also..

Most real estate agents in this market are a wealth of valuable information, and they can help determine rental demand in your neighborhood. Also, a professional property manager might a good investment if you really aren't prepared for a "hands-on" landlord situation. It could cost you the first month's rent and about 10% of your rental income in many cases, but the time, energy, and major headaches you could save may be worth every penny.

Consultations with an attorney and an accountant (with experience in real estate) will also be a wise investment. While many office supply stores and a number popular websites exist to help new landlords with writing up solid rental agreements, a few hours of an attorney's time could highlight specific aspects that these forms may not fully explain. Also, being a landlord may result in tax consequences that your standard tax preparation service or software may not account for properly.

### **Toilets & Tenants**

Have you ever heard (or used) the phrase "It's a rental"?

Nobody will take care of property like you will take care of your own. Keeping this in mind, here are some steps to take before handing keys to your new tenant:

- Credit, pets, and references are all good things to have a clear and detailed policy on.
- Have detailed clauses in your contact on who will be living there, as well as late fees. It may also be helpful to have incentives for paying rent early.
- Make it clear that simple maintenance tasks are not your responsibility. You don't want to receive calls that a drain is clogged or the smoke alarm has a low battery.

Also, be sure to find out how their last property was left when they decided to move. It is much easier to avoid a bad tenant now than to be faced with the challenge of evicting one later.

Some of us choose to be landlords, while others have landlording forced on them in an uncertain real estate market. Just because you're an accidental landlord doesn't mean you'll be one forever. The good news is that the market will turn more positive, as it always does!