By Phil Hunt

Special to the Forum

Q: Now that we have survived the “fiscal cliff,” is there any information you can share with me about how the new rules will effect real estate?

A: On January 1, both houses of Congress passed HR 8, which averted the “fiscal cliff.” President Obama signed it on January 2. The following information was gleaned from an article in the National Association of Realtors magazine which was released on Jan. 13, 2013.

1. The Mortgage Cancellation Relief Act (wherein you do not have to pay taxes on the amount of the excused mortgage debt) has been extended for one year to Jan. 1, 2014.

2. Deductions for Mortgage Insurance Premium (insurance charged by lenders to insure top-heavy loans like FHA, VA and less than 20 percent down conventional mortgages) was extended to Dec. 31, 2013 and made retroactive to Jan. 1, 2012.

3. On commercial property, a straight-line 15-year recovery on improvements was extended through the end of 2013 and retroactive to Jan. 1, 2012.

4. There is a 10-percent tax credit (up to $500) for homeowners who made energy improvements to their homes — effective through 2013 and retroactive to Jan. 1, 2012.

5. The “Pease Limitations” that reduced the itemized deductions for taxpayers who file the long-form 1040, was permanently repealed for most taxpayers but was reinstated for taxpayers making $250,000, for a single payer, and $300,000 for a married couple filing jointly. Under this new rule, if you earn above the thresholds, the overage is multiplied by 3 percent; and that amount is the amount that the itemized deductions are reduced by. The cap on the reduction cannot exceed 80 percent of the taxpayer’s deductions. This idea was first introduced by a Congressman named Don Pease in 1990 and continued through 2010-2012. Had we gone over the “fiscal cliff,” the “Pease Limitations” would have been reinstated and it would have affected all taxpayers who earned $174,450 or above on their adjusted gross income.

6. The capital gains rate stays at 15 percent for those who earn up to $400,000 (individual) and $450,000 (joint). If you earn above this threshold, your capital gains tax will be 20 percent.

7. The $250,000 and $500,000 exemption on profit for the sale of your personal residence is still in effect.

8. For estate taxes, the first $5 million in individual estates and $10 million for family estates is exempt from estate tax. Above that, the rate will be 40 percent, raised from 35 percent. The exemption amounts will be indexed for inflation.

These rules are for federal taxes only; I have no information on California tax-structure changes, if any. Nothing here should be construed as tax advice; contact a tax professional for tax advice. Thanks for the timely question.

Phil Hunt is a real estate broker in Castro Valley. Fax questions to 583-5480.