

Deeds and Notes

The Official Newsletter of the Baldwin County Association of REALTORS®

Membership Meeting and Presentation of the REALTOR® of The Year Award

Newsletter Date

August , 2012

The Baldwin County Association of REALTORS® membership meeting will be held Thursday August 16, 2012, 8:30 a.m. at the Association office. Cost of the breakfast is \$8.00. Reservations are required. Please let us know if you will or will not be eating.

E-Mail: Joan@baldwinrealtors.org

We are pleased to have Baldwin County Commissioner Tucker Dorsey as our guest speaker. He will give us an update on his trip to the air show and what benefits Baldwin County may receive from AirBus locating to Mobile.



We will also recognize our 2012 REALTOR® of The Year. This is the highest award on the local level that a member can receive. All Past Recipients of the REALTOR® of The Year Award will be recognized. The award will be presented by Kevin Corcoran, 2011 REALTOR® of The Year.



KEY STEPS TOWARD RESPA HOME WARRANTY WIN

Legislation passed by the U.S. House of Representatives Wednesday clarifies that home warranties are not a settlement service under the Real Estate Settlement Procedures Act (RESPA). For nearly two decades, the U.S. Department of Housing and Urban Development permitted real estate professionals to earn compensation for selling home warranties. The agency in 2008 reversed this position in an informal letter, and then later in an interpretive rule, creating confusion and triggering lawsuits. This week's House-passed bill, the "RESPA Home Warranty Clarification Act," H.R. 2446, sponsored by Reps. Judy Biggert (R-Ill.) and Lacy Clay (D-Mo.), could end the litigation by providing certainty to real estate professionals, home warranty companies, and consumers that the warranties are not a settlement service regulated under RESPA. NAR is working to get the legislation taken up in the Senate. For more info contact [Ken](#) Trepeta at 202/383-1294.

New Medicare tax creates incentive for home sales

The Patient Protection And Affordable Care Act ("Obamacare") will affect everyone in the United States one way or another. But some people will be affected more than others. Among these are high-income taxpayers. Starting in 2013, they will be subject to a brand new Medicare tax on their "unearned income."

Who is subject to the tax?

Starting in 2013, a 3.8 percent Medicare contributions tax will be imposed on the lesser of (1) the taxpayer's net investment income, or (2) any excess of modified adjusted gross income (MAGI) over \$200,000 (\$250,000 for married taxpayers filing jointly). Thus, all single taxpayers with MAGI over \$200,000 and married taxpayers with MAGI over \$250,000 will be subject to this tax. This is a small proportion of the population, but a significant one for the real estate industry.

What income is taxed?

The tax applies only to investment income. This includes:

- gross income from interest, dividends, annuities, royalties, and rents other than those derived from an active business
- the net gain earned from the sale or other disposition of investment and other non-business property, and
- any other gain from a passive trade or business.

This includes just about any income not derived from an active business or from employee compensation.

Example: Sue and Sam, a married couple filing jointly, have a MAGI of \$300,000 in 2013 which includes \$100,000 of net investment income. Their MAGI is \$50,000 over the \$250,000 threshold, thus they must pay the 3.8 percent tax on \$50,000 of their investment income. This results in a \$1,900 tax.

Can the tax apply to the profit earned on home sales?

Yes. But, in the case of the sale of a principal residence that qualifies for the special tax exclusion on such income, it would apply only if the net gain from the sale exceeds the \$500,000 exclusion for joint filers or \$250,000 for singles, and then only to the extent that taxpayer's income exceeds the \$200,000/\$250,000 MAGI threshold.

Example: Lucy purchased a home in San Francisco in 1995 for \$250,000. She sells it in 2013 for \$750,000. She also earned \$100,000 in employee wages in 2013. She earned a \$500,000 profit on the sale of her home ($\$750,000 - \$250,000 = \$500,000$). She qualifies for the \$250,000 home sale exclusion, so she is left with \$250,000 of net investment income from the sale. This, added to her wages, gives her a MAGI of \$350,000 -- \$100,000 over the Medicare tax threshold. Therefore, she must pay \$3,800 in extra Medicare taxes ($3.8 \text{ percent} \times \$100,000 = \$3,800$).

This new tax gives homeowners who have very substantial equity in their homes a strong incentive to sell them in 2012 before the new tax takes effect.

Real Estate Tax Talk By Stephen Fishman, Inman News®

Students Give REALTOR® U High Marks

Well into its first academic semester, the new REALTOR® University Master of Real Estate degree program is proving to be rigorous and practical, students say. The school has about two dozen graduate students, a number comparable to other real estate graduate programs, and they say they find the combination of academic rigor and practical business smarts stimulating and helpful in their careers. Learn more in this [REALTOR® Magazine video report](#) on the new degree-granting institution.

Education Update

Important information:

August 31, 2012 is the deadline to renew your AREC license. Your license can be renewed even if you haven't completed your CE classes. Questions concerning number of hours needed, license renewal and how to log onto CMAP must be directed to the Commission at 334-242-5544. We suggest that you check your CE hours on CMAP well before the September 30th deadline. Under the Alabama Real Estate Commission website is the Summer Update which has all the information you need concerning paying for your license and completing your CE Requirements:

<http://arec.alabama.gov/media/publications/update-newsletter>

September 30, 2012 is the Alabama Real Estate Commission deadline to complete your fifteen CE hours. The fifteen hours must include Risk Management. **If your CE hours are not complete and/or you didn't pay your AREC renewal by this date, the commission will suspend your real estate license.**

Brokers need to be sure that when renewing their license that they do not forget to renew the company license. If you have more than one company be sure you renew them all.

Quotes from Uncle Adrian by Zan Monroe

“To make ends meet, you have to get off of one of them.”

“If it was easy...everyone would do it.”

“To sell someone something, you must first paint a picture in their mind.”



“Your Success is Our Business”

**At the Baldwin County Association of REALTORS® we are
Mission Driven and Member Focused.**

Our wonderful members taking advantage of the great CE Classes taught by Don Jones

