



DeeDee & Mike Fleming,  
Real Estate Consultants

# REAL ESTATE, RATES AND RECIPES

FEBRUARY 2005

*Service With an Old-Fashioned Touch*

## What's the Best Tax Break Available to a Homeowner?

Most of us think of the common home *ownership* advantages of mortgage interest and property tax deductions...but actually the largest tax break can come from home *selling*.

Many of us, especially those that have been in their homes for several years, are still unfamiliar with the advantage brought about by the Taxpayer Relief Act of 1997, which applies to all home sales since it took effect.

When you sell your primary residence, in most cases you can make up to \$250,000 in profit if you're a single owner, \$500,000 if you're married, and not owe the IRS a dime for capital gains taxes or have any conditions on how the gain is used.

### The main requirements:

1. Use and ownership test: Own and live in the home for two out of the five years before the sale.
2. Technically there's no limit on the number of times you can use the exemption; but as a general rule, sales must be at least two years apart.

### Doing the Math

The main component to calculate is your basis in the home (usually the sum of what you paid for the home plus the cost of capital improvements). Subtract the basis from the amount you get from the sale (less commissions & other expenses), and this is your gain (or profit) on the sale.

Simplified Example:

Price You Paid \$100,000	Capital Improvements \$50,000	\$225,000
Basis		Gain
————— Sale Price \$375,000 —————		

Most sellers will find, as in the example above, that despite a nice profit, the gain is tax free! But in areas like Phoenix where prices are rising quickly, appreciation and increasing sales prices can trigger tax bills. So keep records of your improvements because, as the graph shows, they increase your basis and reduce the portion of your selling price that can be viewed as gain.

Although for most of us this is a very straightforward issue, there are special cases relating to newly-wed couples, properties obtained in a swap transaction, pre-1997 rollovers into your current home, among others, for which we encourage you to consult your tax advisor or accountant regarding your specific situation.

### Average Mortgage Rates (Source: FHLMC "Freddie Mac" www.freddie.mac.com)

February 17, 2005	30-yr	15-yr	5/1-yr ARM	1-yr ARM
Average Rates:	5.62%	5.14%	5.05%	4.15%
Fees & Points:	.7	.7	.7	.8

## Magic Cookie Bars

This is the Eagle Brand best-loved classic - a favorite of kids and adults alike!

Servings: 24 to 36 Bars

Prep Time: 10 minutes

### Ingredients

- 1/2 cup butter, melted
- 1-1/2 cups graham cracker crumbs
- 14-oz can sweetened condensed milk
- 2 cups semi-sweet chocolate chips
- 1-1/3 cups flaked coconut
- 1 cup chopped nuts

### Instructions

- Preheat oven to 350° (325° for glass dish). In small bowl, combine graham cracker crumbs and butter; mix well. Press crumb mixture firmly on bottom of 13x9 baking pan.
- Pour milk evenly over crumb mixture. Layer evenly with remaining ingredients; press down firmly with fork.
- Bake 25 minutes or until lightly browned. Cool. Chill if desired. Cut into bars or diamonds. Store covered at room temperature.

### OH, BY THE WAY...

We have a nation-wide network of realtors and brokers, so you're never too far away for us to help you. We can match you up with an agent just right for you, *so don't be afraid to call!*



Web: [www.FlemingProperties.net](http://www.FlemingProperties.net)

Fax: 480-821-8157

The DeeDee & Mike Fleming Team

DeeDee: 480-239-7194

Mike: 480-215-0198

DeeDee@FlemingProperties.net

Mike@FlemingProperties.net