

Taxing Real Estate Questions

November 3, 2013

Dear Dave: When we purchased our home in 2009 we received that special tax credit of \$8,000. Now that we have sold the home, do we owe the IRS for the credit received in 2009?

Answer: Very good question. When the Federal Government was trying to stimulate the economy after the 2008 financial crash, they did offer an \$8,000 tax credit to first time homebuyers.

You will be very pleased to know that the recapture of that credit is only applicable if you had sold (or vacated the residence to turn it into a rental property) within 36 months of purchase. A 2013 sale definitely puts you beyond the 3 year risk zone.

Dear Dave: I am renting a condo and the landlord has put it on the market for sale. I don't like buyers coming through my home. What can I do?

Answer: The Landlord and Tenant Act provides that a tenant cannot unreasonably withhold permission for the landlord to enter the premises. In particular, showing the property to a prospective buyer is a legitimate reason for the landlord to enter.

However, you do have the right to receive twenty-four hours notice for any such entry. Usually, if you discuss your concerns with the landlord and the Realtor involved, they will do all they can to co-operate.

Dear Dave: We are in the process of purchasing a restaurant (in leased premises) and the seller wants \$30,000 for Goodwill in excess of the real assets of the business. Is this normal?

Answer: When you purchase a small business you acquire many types of asset. There will be equipment, inventory, a leasehold interest in the property, possibly accounts receivable, and all these can be calculated fairly easily.

In addition, you receive the value of the business established by the previous owner, the so-called "Goodwill". It is reasonable for a seller to expect something for the intangible value that he has built up and is giving to you. After all, you are purchasing the restaurant presumably because the existing clientele eats there and will continue to do so.

In other words, when you buy a business, there are tangible assets which you can see and intangible assets that you cannot see. The amount for Goodwill is a tricky question and entirely negotiable. It could be as little as zero if the previous owner has made a mess of things.

When purchasing a business, be sure to break down the purchase price into individual assets, goodwill being one of them. You should also consult a CPA since each asset has a depreciation rate that will affect your taxes.

For a more complete discussion of this topic, email a request for my “Buying a Business” publication to windsor@alaska.net.

Dear Dave: We live in an Anchorage neighborhood where it is common for inoperative vehicles to be left on the side of the road for weeks, sometimes months. How do we resolve this problem?

Answer: Call the Junk Car Hotline of the Municipality of Anchorage at 343-4141 and the vehicles will be removed, one way or another.

Dear Dave: When pricing your home for sale, should you compare your property with others “sold” recently, or with others “on the market?”

Answer: Good question! If you engage the services of a professional Realtor they will probably perform a Comparative Market Analysis (CMA). A CMA generally involves comparing your property to recently “sold” homes. In other words, a valuation of your property is calculated based on the history of the market in your neighborhood.

It is entirely legitimate for you to also ask for a “Competitive Market Analysis”. That is, you want to study the active competition as well as recent sales. The number of competing properties on the market at any given time has a direct bearing on the market value of your home.

The combination of both studies, and the advice of your Realtor, will help you make the right decision about price.

Dear Dave: Do we have to pay taxes on the sale of our personal home?

Answer: If you lived in the home at least 2 of the last five years, the answer is “No” - Unless you made a profit in excess of \$250,000 (single) or \$500,000 (married).