

Sacramento Bee

### **California won't tax forgiven home debt**

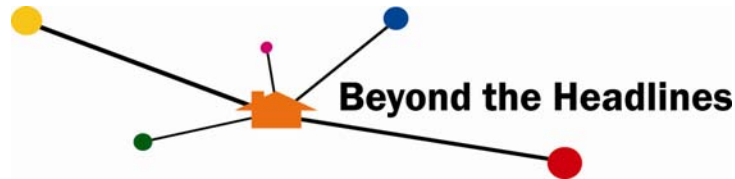
Governor Schwarzenegger on Monday signed SB 401 (Wolk) into law providing distressed homeowners with state tax exemption on debt forgiven in a short sale, foreclosure, or loan modification.

#### **KEEP THIS IN MIND**

- SB 401 generally aligns California's treatment of taxes on forgiven mortgage debt with that of federal law. For debt forgiven on a loan secured by a "qualified principal residence," borrowers now will be exempt from both federal and state income tax consequences. Previously, California homeowners generally were exempt from owing federal taxes on the forgiven mortgage debt, but still were required to pay California taxes on the so-called "phantom income."
- Qualified principal residence indebtedness is defined as debt incurred in acquiring, constructing, or substantially improving a principal residence, including both first and second mortgages. It also includes refinance loans to the extent the funds were used to payoff a previous loan that would have qualified under these guidelines.
- The tax relief applies to debts discharged from 2009 through 2012. Californians who already have filed their 2009 tax returns may claim the exemption by filing a Form 540X amendment.
- Taxpayers who do not qualify for the above exemptions (e.g., second home or rental property) still may be exempt from paying taxes on forgiven mortgage debt under other provisions. Most notably, bankrupt taxpayers are exempt from debt relief income tax. Also, taxpayers who are insolvent are exempt from debt relief income tax to the extent their current liabilities exceed current assets.

To read the full story, please click here:

[http://www.sacbee.com/2010/04/13/2674065/california-wont-tax-forgiven-home.html#mi\\_rss=State%20Politics](http://www.sacbee.com/2010/04/13/2674065/california-wont-tax-forgiven-home.html#mi_rss=State%20Politics)



## In Other News...



The Mercury News

### **Mortgage rates jump**

Mortgage rates have shot up in the past few weeks, and may climb even higher, raising concerns about the recovery of the fragile housing market.

To read the full story, please click here:

[http://www.mercurynews.com/real-estate-news/ci\\_14837754](http://www.mercurynews.com/real-estate-news/ci_14837754)



CNN Money

### **Getting a loan will be pricier**

As the economy begins to mend, the cost of borrowing money for a big purchase could start to increase.

To read the full story, please click here:

[http://money.cnn.com/2010/04/12/news/economy/credit\\_card\\_rates/index.htm?source=cnn\\_bin&hpt=Sbin](http://money.cnn.com/2010/04/12/news/economy/credit_card_rates/index.htm?source=cnn_bin&hpt=Sbin)



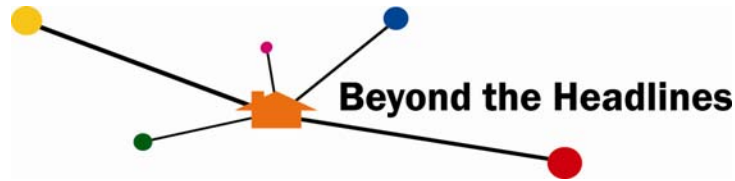
San Francisco Chronicle

### **Free credit reports not so free anymore**

Companies that offered free credit reports appear to be skirting a new federal disclosure requirement designed to crack down on misleading advertising.

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2010/04/08/BURC1CR414.DTL&type=business>



The Wall Street Journal

**For some markets, bubble-era prices decades away**

Here's another indicator that bubble-era housing prices were outrageously overblown. Home prices in some areas won't return to those peak levels for a long, long time—decades in some extreme cases, according to a report out Tuesday by Fiserv, Inc.

To read the full story, please click here:

<http://blogs.wsj.com/developments/2010/04/13/for-some-markets-bubble-era-prices-decades-away/>



The Mercury News

**Fed-up homeowners who can pay the mortgage, don't**

There was a time when Americans would do almost anything to hang on to their homes. But that commitment appears to be fraying as more people fall behind on their loans, while watching the banks and lenders that helped trigger the financial crisis return to prosperity.

To read the full story, please click here:

[http://www.mercurynews.com/real-estate-news/ci\\_14803761](http://www.mercurynews.com/real-estate-news/ci_14803761)



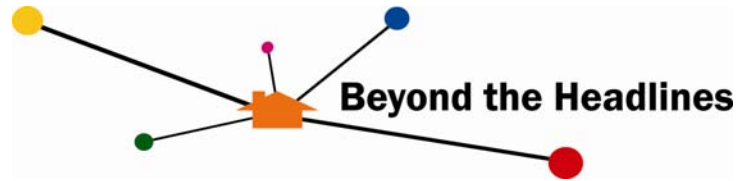
CNN Money

**Winning the mortgage modification lottery**

When Bank of America announced it would begin cutting loan balances for distressed mortgage borrowers, it marked a sea change in the way lenders deal with seriously delinquent loans.

To read the full story, please click here:

[http://money.cnn.com/2010/03/25/real\\_estate/special\\_deals\\_for\\_defaulters/index.htm?source=cnn\\_bin&hpt=Sbin](http://money.cnn.com/2010/03/25/real_estate/special_deals_for_defaulters/index.htm?source=cnn_bin&hpt=Sbin)



### **What you should know about the market**

- Homeowners are on pace to spend \$128 billion this year in remodeling, up from \$116 billion last year, according to the National Association of Home Builders (NAHB). However, the return on investment has been decreasing. The percentage of costs recouped at resale was approximately 64 percent last year compared with 67 percent in 2008. Based on that, experts advise against major remodeling for homeowners who plan to sell within a year as they are not likely to recoup the expenses of the remodel.
- Homeowners planning to remain in their homes for the long term may want to consider adding energy-efficient windows, roofing, and doors as these enhancements recover a large percentage of their outlay. For example, energy-efficient steel entry doors can return more than 100 percent of their average \$1,172 cost by helping to reduce energy use.