

Congress Passes Extension of Short Sale Tax-Break in Year-End Budget

Just before Christmas, Congress passed and the President signed a year-end omnibus budget bill that included over \$1 trillion in new spending as well as over \$600 billion in tax cuts. Included in those tax cuts was an extension of a tax-break for homeowners relieving them of paying income tax on the difference between what they owe on the mortgage and the amount raised in a short sale - especially if the lender reduces the owed principal amount.

The tax-break, which had expired at the end of 2014, was reauthorized and made retroactive for all of 2015 and will cover all of 2016. The forgiven mortgage debt exemption is expected to save homeowners in this situation over \$3 billion for tax year 2015 alone.

The provision was originally signed into law by President GW Bush as part of the Mortgage Debt Forgiveness Act of 2007. It was supposed to run through 2009 but has been extended several times.

However, keep in mind that the issue will have to be revisited once again at the end of this year. REIA members are encouraged to contact their Congressional representatives and voice their support to make the tax-exemption permanent.

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