

# Real Estate Viewpoints



Eugene Pettis

## Realizing The Worth of Your Possessions

When you pay \$25,000 for a house and sell it for \$25,000 there is no loss or gain and no tax. When you invest \$25,000 in a house and sell it for only \$20,000 you suffer a loss of \$5,000 but you are not allowed a deduction for losses on the sale of a residence.

When you invest \$25,000 in a house and sell it for \$30,000 you realize a profit of \$5,000. You cannot escape outright from paying a tax on the profit but you can defer paying the tax if you can prove that:

1. You bought and occupied the second house within one year either before or after you sold the first house ("first house" refers to the house you sell; "second house" refers to the house you buy after selling the first house.) If the second house is newly constructed, you must prove that the construction was completed and that you occupied the second house within one year before or within eighteen months after you sold the first house.

2. You used the first house as your principal residence and are using or intend to use the second house as your principal residence.

3. The price you are paying for the second house is equal to or greater than the adjusted sale price of the first house.

Provided that the first two provisions are met, compare the cost of the second house with the adjusted sale price of the first house, deduct selling expenses and fix-up costs from the actual selling price. To arrive at the cost of the second house, deduct expenses involved in the purchase of the second house from the amount paid for the second house.

Provided that the three requirements are satisfied, regardless of how much greater the adjusted

sale price is than your total investment, you may defer the tax of the gain when the cost of the second house is greater than the adjusted sale price of the first house.

A seller under fifty-five, may defer the payment of tax only when he sells his house at a profit, a person over fifty-five may completely escape paying a tax on profits realized through the sale of his residence and gain up to \$100,000 tax-free.

The following requirements must be met:

1. The seller must have used the house as his principal residence for at least five-eighths of the eight-year period preceding the date of the sale. The days do not have to be consecutive and the periods the seller is absent for vacation, within reason, are considered periods the seller used the property.

2. The seller must be over fifty-five when he transfers title or ownership of the property to another. If the seller owns the property jointly with another and they file a joint tax return, this requirement is satisfied when only one of the two owners is over sixty-five on the date the property is sold.

3. The seller must elect to use this tax exclusion in a signed statement that he attaches to his tax return the year the property is sold.

4. The adjusted sale price of the property must not be over a certain amount.

If you are approaching fifty-five, or are over fifty-five and are contemplating the sale of your house, whether or not you plan to buy another house, it is time to talk to your attorney.

After the taxable gain on the profitable sale of real estate is established, the amount of taxes is influenced by whether the gain is treated as a capital gain or an ordinary gain.

## WBTV Will Broadcast "CBS Tournament Of Roses Parade"

Bob Barker, Phyllis George, John Schneider and Loretta Switt will host the "CBS Tournament of Roses Parade," a special live broadcast of the 92nd annual New Year's Day floral pageant, Thursday, January 1, from 11:30 a.m. to 2 p.m. on WBTV, Channel 3.

The theme of this year's Tournament of Roses Parade is "The Great Outdoors." Television star and conservationist Lorne Green will serve as the Grand Marshal of the 5.5-mile parade through the streets of Pasadena.

With cameras posted at the parade's starting point, viewers will get the first look at the magnificent floral constructions and the other parade elements during the Network's live coverage.

Sixty-one flower-covered floats, each incorporating the "Great Outdoors" theme, along with 23 marching bands from all over the country and 250 equestrians, will take part.

This year's Rose Queen is 18-year-old Leslie Jim Kawai, a freshman at Pasadena City College.

The hosts will also present season's greetings from members of the CBS family of stars, taped on the sets of their Network series.

Bob Barker, popular television host and master of ceremonies and

star on the Network of "The Price Is Right," is hosting the Network's coverage of the Tournament of Roses Parade for the 11th consecutive year, starting in 1969. He has also hosted the "Miss Universe Pageant," the "Miss U.S.A. Pageant" and "The Indianapolis

500 Parade."

Loretta Switt, who stars as Major Houlihan on the "MASH" series, has started in the motion pictures for television "Shirts-Skin," "Coffeeville," "Valentine," "Mirror, Mirror," and "The Walls Come Tumbling Down."

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