



Our Listings are Selling. We Need New Listings.



From the Broker's Desk

Nancy C. Rowe



Many consumers remain confused about the capital gains tax as it relates to the profit from the sale of a principle residence. Prior to May 7, 1997, the only way to avoid paying taxes on the profit from the sale of your house was to use the money to buy another, more expensive house within two years of your sale date. A one time tax exemption of \$125,000 was offered to sellers who were 55 years or older. With the passing of the Taxpayer Relief Act of 1997 new "per-sale" exclusions became applicable. Your sale profit no longer has to be applied to the purchase of another house and there is no limitation on the number of times the exemption can be used. The standard exemption is \$250,000 for a single seller or \$500,000 for a married couple. But there are requirements that must be met to qualify for the full exemption. You must have owned the house for five years prior to the sale date and you must have occupied it as your principal residence for two out of those five years; otherwise, your exemption may be limited. A pro-rated exemption would be granted when there is a change in health which would require the home owner to vacate the premises for medical reasons, a change in employment or an unforeseen circumstance occurs. Since 2003, military personnel have been exempt from the two year residency requirement. As a home owner, you need to keep an adjusted basis on your house because that is the figure used to determine your profit or loss when you sell. If you purchased the house, your basis is the amount you paid, any expenses related to the purchase but not the cost of obtaining a mortgage and capital improvements during your ownership. If you inherited the house or were gifted the house, the basis would be the fair market value or the adjusted basis of the prior owner. If you had the house built, you cannot claim a dollar value for any work that you contributed to the construction or for any work that you did not pay for. Remember to always obtain and retain invoices to substantiate your claim. To claim a capital improvement, it must have a useful life of more than one year, be a required assessment or be the result of a casualty that damaged the property. Some examples of improvements that would increase your basis would be room additions, upgrading heat and air systems, installing insulated windows or solid surface kitchen counters, replacing a roof, installing an in-ground swimming pool, etc. Don't confuse maintenance, like painting or re-decorating, with capital improvements. Should you duplicate an improvement, you must deduct for the earlier addition to basis and add back the most current cost. The IRS provides a Publication 523 "Selling Your Home" which explains in detail both Capital Gains and Adjusted Basis. With the increase in market activity and low interest rates, now is a great time to sell or buy, so call upon our experienced agents to assist with your next real estate transaction.

The approaching end of summer means back-to-school prep time has arrived. Here is information about the helpful Sales Tax Holiday.

When is Tennessee's Sales Tax Holiday? - Sales Tax Holidays begin every year at 12:01 a.m. on the first Friday in August and end at 11:59 p.m. the following Sunday. During this time, Tennesseans can enjoy tax-free purchases on certain clothing, school and art supplies and computers. The tax free holiday for 2012 is August 3-5. (Virginia has the same dates for its sales tax holiday.)

What's Tax-Free? - Tax-free items include clothing with a price of \$100 or less per item, school and school art supplies with a price of \$100 or less per item and computers with a

Bacon-wrapped Chicken Sandwich

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| 1 tbs vegetable oil | & toasted |
| 2 (6 to 8 oz) boneless, skinless chicken breasts | 1 tbs Dijon mustard |
| 1/4 c all-purpose flour | 1 medium head Belgian Endive, |
| 1 tsp kosher salt | cored & thinly sliced lengthwise |
| 1/8 tsp freshly ground black pepper | 1 medium gala, braeburn, or pink lady apple, cored, halved & thinly sliced |
| 2 slices bacon | |
| 1/2 c apple juice | |
| 2 ciabatta rolls, halved lengthwise | |

Place chicken between 2 sheets of plastic wrap or parchment paper and use a frying pan to gently pound the breasts to an even thickness, about 1 inch thick. Combine flour, salt, and freshly ground black pepper in a wide, shallow dish and mix thoroughly. Coat each breast by dredging it in the flour mixture then shaking off excess flour. Wrap one piece of bacon around each piece of chicken and secure with a toothpick. Heat oil in a medium, frying pan over medium heat. When it shimmers, add chicken breasts and cook until bacon is well browned, about 5 minutes per side. Add the juice, reduce heat to medium-low, and simmer until cider is reduced by 1/3, and chicken is cooked through, about 5 minutes more. Remove from heat and remove toothpicks. To make a sandwich, spread mustard evenly on cut sides of bread. Layer half of each endive and apple slices alternately on one piece of bread, top with a chicken breast, drizzle with pan juices, season with freshly ground black pepper, and close sandwich. Repeat to make a second sandwich.

The roots of education are bitter, but the fruit is sweet.
~Aristotle



price of \$1,500 or less. These items are exempt from state and local sales tax in Tennessee during the holiday. Local governments are held harmless and are reimbursed lost sales tax revenues by the state.

Who Can Participate? - Any individual can make a tax-free purchase during the holiday. However, items purchased for use by a trade or business are not exempt.

Can I Order by Mail, Telephone, E-Mail or Internet? - The holiday also includes purchases of qualified items sold via mail, telephone, e-mail or Internet if the customer orders and pays for the item and the retailer accepts the order during the holiday for immediate shipment, even if delivery is made after the exemption period.

What if the Item is Backlogged or on Backorder? - If a customer wishes to order a certain tax-free item during the holiday and it is not in stock, the item remains tax-free upon delivery. In other words, backlogs and backorders outside the buyer's control will not affect the exempt status of tax-free items. Intentionally delayed sales are taxable.

What if I Want to Place an Item on Layaway or Pay for an Item That is Currently On Layaway? - Qualified items previously placed on layaway are exempt when the final payment is made during the holiday. Items are also exempt if placed on layaway during the holiday and the final payment is made after the exemption period.

For more information, see the TN Depart. Of Revenue at www.tntaxholiday.com

