

GALLAGHER & ASSOCIATES

LAW FIRM, P.A.

5720 CENTRAL AVENUE, ST. PETERSBURG, FL 33707

727-344-LAWS

WWW.ATTORNEYOFFICES.ORG

CONSUMER ALERT

Last Minute Tax Relief for Homeowners with Short Sales & Foreclosures

St. Petersburg, Florida, February 18, 2015

In case you missed it, as 2014 drew to a close the Mortgage Forgiveness Debt Relief Act was retroactively extended by Congress.

The Internal Revenue Code treats forgiven debt as ordinary income to the borrower, taxable at regular rates. In other words, if you owe a debt to someone else and they cancel or forgive that debt, the canceled amount may be taxable. The Mortgage Debt Relief Act generally allows taxpayers to exclude income from the discharge of debt on their principal residence. Debt reduced through mortgage restructuring, as well as mortgage debt forgiven in connection with a foreclosure, qualifies for the relief.

However, the debt relief expired at end of 2013 which left homeowners at risk of profound tax liability. Thankfully, the House of Representatives passed a bill that retroactively reinstated each of these provisions from January 1, 2014 through December 31, 2014, on December 3. The Senate finally followed suit and passed the bill on December 16. President Obama signed the bill into law (PL 113-295) on December 19. Accordingly, those with discharge of debt income from a short sale, foreclosure or deed in lieu of foreclosure are protected from tax liability for transactions that occurred in 2014.

About G&A: Gallagher & Associates Law Firm, P.A. is a boutique consumer law firm in offering concierge legal services to individuals, consumers and small businesses where clients have 24/7 access to their attorney. Practice areas include foreclosure defense, insurance litigation, real estate litigation and business law and consumer litigation. For more information call 727-344-LAWS or visit www.attorneyoffices.org on the web.