

Don't Fall for Claim That the Health Care Bill Includes Tax on Real Estate Sales

Last week a client forwarded to me an email he received with the scary headline, "Real Estate Sales Tax." The first sentence said it all: "Under the new health care bill - did you know that all real estate transactions will be subject to a 3.8% Sales Tax?"

It gave an example: "If you sell your \$400,000 home, there will be a \$15,200 tax."

My client wanted to know whether he should sell his home now instead of waiting until 2013 when this alleged sales tax takes effect.

I was happy to inform my client that the email was a complete distortion based on a partial truth.

The truth, as you can read more fully on snopes.com — a terrific resource for verifying the truth of any hard-to-believe email you receive, political or otherwise — is that the Medicare tax, which is

currently applied only to "earned" income (wages) will be applied to "unearned" income (investments) starting in 2013. However, to say

that it will apply to the total sales price of every real estate transaction is an outright lie.

First of all, the tax will only apply to investment **profit** — not income — that exceeds \$250,000. In the case of selling your primary residence, the first \$500,000 of profit

(on a joint return) is exempted anyway, so even if you bought that \$400,000 home for one dollar, you wouldn't be taxed under current capital gains rules, much less for that additional 3.8% Medicare tax starting in 2013.

Investment properties are subject to capital gains tax, but that can be deferred through a 1031 exchange. Even so, if you sell an

investment property for \$400,000, how much of that amount is profit? To say that the tax applies to the whole sales price is a total distortion — an intentional lie being circulated for purely partisan purposes.

Because the tax only kicks in when your investment income exceeds a very high threshold, only the ultra-rich will be touched by it. The administration is actually doing what it promised — to raise taxes only on those earning over \$250,000 a year. The email which my client received was designed to fool the mass of voters into thinking their taxes are being raised when they're not.

At www.JimSmithColumns.com I have a link for the more detailed refutation of that claim.

Who will be affected most by this tax? Those who earn their millions (over \$250,000 net profit) from stock dividends or capital gains — no one I know!

This Week's Featured New Listing:

Enjoy Maintenance-Free Living in Golden

Kinney Run is a special enclave of townhomes nestled just west of the Fossil Trace Golf Club in Golden. This home, at **902 Homestake Drive**, is a particularly nice one, backing to the irrigation ditch which separates this community from the golf course and the campus of Golden High School. Built in 1984, the home has been beautifully updated with new oak hardwood flooring, new Pella windows, new interior paint, a new furnace and new hot water heater. The modest HOA dues cover not only exterior maintenance, insurance and grounds maintenance, but also snow and trash removal as well as water and sewer. At the end of a cul-de-sac, all you hear are the birds in the many mature trees. There are 3 bedrooms and 3 baths. Take the narrated video tour online, then



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