

Money Matters

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No taxes owed in most short sales

The Question: I'm trying to do a short sale. Will my lender send out a 1099 for the amount of forgiven debt? Example: My existing mortgage is \$300,000. I have an offer for a short sale of \$200,000. If I accept, will I owe income tax on that \$100,000?

— H.M., Strongsville

The Answer: Good news for you — you should be able to avoid paying income tax on this forgiven debt, said Cynthia VerDuin, a certified public accountant with Hatfield CPA in Beachwood.

Homeowners like you are being exempted from treating forgiven mortgage debt as income as part of the Mortgage Forgiveness Debt Relief Act and Debt Cancellation.

VerDuin notes that people are potentially eligible only if the debt involves their primary residence and only for debt used to buy or improve their home. So if you used your equity line to buy a car, you can't duck that being counted as income.

VerDuin said she has dealt with this repeatedly in her practice during the last couple of years, adding, "It's a real epidemic." Taxpayers should fill out form 982.

The exemption is scheduled to expire at the end of 2012.

IRS spokeswoman Jennifer Jenkins said taxpayers should consult with an IRS representative by calling 1-800-829-1040 or with a tax professional.

She also suggested these online resources:

- Mortgage Forgiveness Debt Relief Act: <http://tinyurl.com/mortgagedebt>
- "Mortgage workouts, now tax-free for many homeowners" <http://tinyurl.com/mortgageworkouts>
- 10 facts for mortgage debt forgiveness: <http://tinyurl.com/10debtfacts>

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MONEY

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The Question: I am constantly (four times in just the last two days) receiving calls about lowering my credit card rates. How can you report these companies if you can't get a phone number or identification from them? I'll stay on the line and then ask what company they're from and their phone number. They just say they're from "Card Services" and when I ask more questions, they slam the phone down. I am on the Do Not Call list.

— E.H., North Olmsted

The Answer: Our chipper friends from the elusive Card Services have been invading homes for at least a couple of years. Sometimes the robocaller is Kathy; other times it's Rachel or Debbie.

The company is apparently doing simple computerized calling and, if the person who picks up is interested, a live person comes on to try to sell them on a way to reduce their credit card rates. By all accounts, the calls are a scam. And they're supremely annoying.

The Federal Trade Commission is all too familiar with the harassment being invoked by Card Services. This is a company that doesn't care about Do Not Call lists or the 2009 law that makes prerecorded sales calls illegal unless the recipient has agreed to the calls.

As the FTC has gone after some operations, others open, and there's some thought that offshore operations are using U.S. telemarketing firms to originate the calls.

My colleague Sheryl Harris wrote about this issue a couple of months ago. Trust that the FTC is working on this.

For now, you might consider one solution I found on an online complaint blog:

"I went to the store and bought an air horn. When they called, I pressed '1' to get information to lower my interest rate. When the man started speaking, I blew the air horn into the speaking part of the phone for 30 seconds. He hung up. Then the man called me back, cussing that that wasn't necessary. So I said, 'Take me off your list or every time you all call me, I will do this again.' He said he was taking my name off the list. That was three months ago and I haven't had a call since."

Certainly, report prerecorded sales calls and Do Not Call violations to the FTC at 1-888-382-1222 or at donotcall.gov. If you have other creative solutions to get rid of unwanted calls, pass them along.

Murray is The Plain Dealer's personal-finance writer. Because of the volume of requests, she cannot help everyone who contacts her.

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