

# Real Estate

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SATURDAY, MAY 30, 2009

BLUFFTON'S ONLY DAILY HOMETOWN NEWSPAPER

## Tax credit helps homebuyers

BY FRANK DUNNE, JR.  
SPECIAL TO BLUFFTON TODAY

There are plenty of opinions out there about how to get the economy back on track, and plenty of arguments for and against federal government intervention. Those arguments aside, there is a government program available right now that is aimed at getting more Americans into home ownership, but it is a limited time offer.

The American Recovery and Reinvestment Act of 2009 makes up to an \$8,000 tax credit available to qualified first-time buyers. It is only applicable to the purchase of a primary residence, and the purchase has to happen between Jan. 1 and Dec. 1. There are some limitations on who can participate, but for those who qualify, this might be the time to get off the fence.

The first thing you need to know is that even if you have owned a home in the past, you might be able to take advantage of the tax credit. The rules define a first-time homebuyer as one who has not owned a primary residence for three years prior to the purchase. For married couples, the rule applies to both you and your spouse individually. However, for unmarried joint purchasers, such as a parent and child jointly purchasing a home, only one must meet this requirement. Also, ownership of an investment or vacation property will not disqualify a buyer.

The allowable tax credit equals 10 percent of the purchase price of the home up to a maximum of \$8,000, and the income limits are \$75,000 for single taxpayers and \$150,000 for married joint filers.

As the law was originally

written, a homebuyer would only be able to access the credit when filing their next tax return, or an amended 2008 return, at which time they would receive an IRS refund.

However, the Department of Housing and Urban Development (HUD) recently revised the Act to allow use of the tax credit to help cover a down payment. The move permits FHA-approved lenders; federal, state and local government agencies; and FHA-approved nonprofit organizations to make bridge loans up to the amount of the tax credit. HUD's rationale for the measure is the belief that an inability to come up with the cash for a down payment is what is keeping a lot of first-time buyers out of the market.

There is some sense of urgency right now for home-

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## Financial questions and answers

BY ILYCE GLINK  
TRIBUNE MEDIA SERVICES

**Q:** There is a man I know who became disabled, and his wife withdrew all their savings and left him. He wants to sell their house since he needs the money, but she is the co-owner and won't agree to sell. Is there anything he can do so he can sell the house?

**A:** Your friend needs to contact a divorce attorney immediately. He won't be able to sell the property if she doesn't agree, unless he files a lawsuit. Since she withdrew marital assets and left, it seems clear that she isn't interested in being in this relationship.

He and the attorney can then approach the wife and discuss the divorce and the settlement of assets. The attorney can also get her to agree that the money she withdrew was her share of the marital assets and was her payment (or a partial payment) on the division of all the assets.

Filing for divorce will give your friend a more level playing field with his wife. Which is what he needs at the moment.

**Q:** In a recent column, you answered a question

about whether property taxes could be deducted for an unoccupied house that was inherited for a person who also owned two other houses.

Unfortunately, you answered incorrectly, saying that the taxes could not be deducted. You confused the deduction of real estate taxes with the deduction of mortgage interest.

Mortgage interest can only be deducted for a first and second home. But there is no such limitation for deducting real estate taxes on first, second, third or more homes, or even on real estate that is not a home, such as a vacant lot.

No doubt others will have noticed this error. I'm sure you will correct the record for the person who asked the question and for your readers in general.

**A:** Actually, yours was the only letter I received on this topic. But thanks for catching this error.

IRS Tax Topic 503 offers a confirmation: "Deductible real estate taxes are generally any state, local, or foreign taxes on real property. They must be charged uniformly against all property in the jurisdiction and must be based on the assessed value. Many states

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Photo illustration by Barry Kaufman

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# Tax

## From the cover

buyers interested in purchasing a new construction home, and planning to take advantage of the tax credit. The Dec. 1 deadline applies to the date on which the buyer takes occupancy of the home as opposed to the date that a contract is signed. So buyers in this category are urged to act fast.

Locally, some real estate professionals note that there aren't as many folks raising their hands for this tax credit as might be expected, especially with so many good

buys available. It might be an awareness issue.

"Yes, I think that's true," said Roni Kincaid of Re/Max Island Realty when asked if she thinks a lot of people just don't know about the tax credit. "Also, I think that many people are not aware that you can qualify if you haven't owned in three years."

Kincaid also pointed out that the Hilton Head/Bluffton market is not traditionally a heavy first-time buyer market. "We're still such a tourist-based economy, both in Bluffton and Hilton Head, that we don't see as many first-time buyers in this area. We'll see quite a few more in Bluffton than on Hilton Head, though."

# Q&A

## From the cover

and counties also impose local benefit taxes for improvements to property, such as assessments for streets, sidewalks and sewer lines. These taxes cannot be deducted. However, you can increase the cost basis of your property by the amount of the assessment.

Refer to Publication 551, Basis of Assets, for more information. Local benefits taxes are deductible if they are for maintenance or repair, or interest charges related to those benefits." Generally, you can only



deduct property taxes if you itemize on

your federal income tax form. However, there is a special perk that non-itemizers may be able to take advantage of on their 2008 and 2009 tax returns.

Property owners who use the standard deduction will be able to take a limited property tax deduction of up to \$500 for single taxpayers and up to \$1,000 for married couples filing jointly. The amount of the deduction is the lower of the actual property taxes you paid, or the \$500/\$1,000 deduction amounts.

# Empty condos give universities new dorm space

ERIC TUCKER

THE ASSOCIATED PRESS

PROVIDENCE, R.I. — River views, granite countertops, stainless-steel appliances, 9-foot ceilings. This is student housing?

When classes start this fall — if all goes as planned — some 300 students at Johnson & Wales University will be living in Capitol Cove, an upscale condominium project that had been languishing on the market for more than six months.

"It's a great Band-Aid," said Irving Schneider, president of Johnson & Wales's Providence campus, which just signed a three-year lease for the Capitol Cove development. "This arrangement was good for the developer as well as Johnson & Wales."

Some universities around the country have found a silver lining to the real estate recession that has left condominium developers in the lurch. For less time and money than it would take to build a residence hall, universities in places like New York City and Ohio are buying or leasing entire condo projects. And they are also eyeing vacant lots once targeted for high-end condos for use as retail and parking.

"This is a bonanza of an opportunity ... for universities to acquire the space they desperately need," said Dan Fasulo, managing director of Real Capital Analytics.

For developers, such deals save their projects from being total washouts. The arrangements offer developers an exit strategy from flagging projects, allowing them to unload dozens of unsold units to a single buyer rather than piecemeal.

"They can't sell them, they can't mothball them, they can't bulldoze them,"

said Jack McCabe, a Florida-based real estate analyst. "Developers right now are looking for every way not to lose their projects into foreclosure."

Sales of condos in April were down 9 percent from year-ago levels and are off 46 percent from the frenzied peak in June 2005, the National Association of Realtors said this week. At the current, sluggish sales pace there is more than a year's supply of units on the market.

Developer Robert Roth has built only one of five buildings planned for Capitol Cove's 5-acre site that bridges downtown Providence with the city's residential East Side.

He began marketing the condos last fall for between \$350,000 and \$550,000, but got only four reservations and no sales.

Students at Johnson & Wales University will pay yearly rents of \$10,383 for one-bedroom apartments and \$9,249 for two-bedrooms — comparable prices to on-campus dorms.

"We want the students to treat it more as if it was their home than just a dorm room," said Jamie Stone, 21, a Johnson & Wales student and resident advisor.

Roth wouldn't disclose the terms of the lease with Johnson & Wales except to say that it would help refinance the construction loans but would not come close to recouping the \$30 million already invested by him and his bank in the project.

"For us, the big hit is that we're not receiving any real equity back from the project," Roth said. "It's not putting any money into anyone's pocket."

In New York, Columbia University last year paid

\$67.6 million for a residence hall for graduate students and staff in the Riverdale neighborhood of the Bronx after a planned condo development called the Arbor couldn't sell out.

In Ohio, Capital University bought a 30-unit building for \$4 million in suburban Columbus that had been marketed as 55-and-older housing but is now reserved for about 60 upperclassmen in good academic standing.

"To build a facility of this quality for a university, there's no way we could have done that for that purchase price," said Nichole Johnson, a Capital University spokeswoman.

She said the deal made financial sense: The cost per bed at the new building was \$65, compared to a \$93-per-bed cost at a dorm that opened in 2006.

Still, the transactions are raising eyebrows among city leaders who say they were told to expect luxury condos — not students.

Members of the Providence City Council question whether Capitol Cove violated its tax-stabilization treaty with the city by using the building as a dormitory, though Roth said he doesn't expect the deal to be scuttled.

And New York Assemblyman Jeffrey Dinowitz, whose district includes Riverdale, likened the sale of the Arbor building to Columbia to a "bait-and-switch."

"It would have been preferable if those were condos," Dinowitz said. "Generally speaking, people who own their property feel they have a greater stake in the property."

Nevertheless, builders argue these deals are in the best interest of the community.