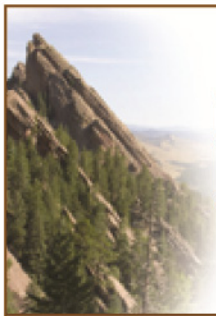

PREMIER
MORTGAGE GROUP

experience the difference

CHANGES TO PRIMARY RESIDENCE CAPITAL GAINS REGULATIONS

The "American Housing Rescue and Foreclosure Prevention Act of 2008" (the Housing Act) was signed into law by the President on July 30, 2008. The purpose of the Act is to shore up the housing market, tighten up lending practices, and reform financial institutions in the market.
One major change in the Housing Act is the reduction of the homesale exclusion for some sellers. The homesale exclusion was created in 1997 to allow people who sell their primary residence to avoid paying capital gains taxes on the property. Beginning in 2009, this exclusion has changed.

Before

The regulations allowed that up to $250,000 (or $500,000 for married couples) of the capital gains from the property sale be excluded from taxes. This is assuming that the property was used as a primary residence for at least 2 of the past 5 years.

Now

Beginning in 2009, the amount of the exclusion for your primary residence will be limited to the proportional amount of time the property was used as a primary residence - "nonqualified use" (use as income or vacation property) is now subject to capital gains tax. For example, if the property was used as a primary residence for 2 of the 5 previous years, rented for the remaining 3 years, and then is sold, only 2/5, or 40%, of the capital gains could be excluded from taxes (up to the $250,000 / $500,000 limit) as the other 3 years were nonqualified use.

What This Could Mean to You

If you own only one property the law has not changed. However, if you own multiple properties and plan to move into or from your primary residence, there may be significant changes to your tax exclusions. Contact your tax advisor to see how these changes may affect you.

Main Office • 1844 Folsom Street • Boulder, CO 80302 • (303) 449-8855 • (303) 449-4455 fax • www.pmglending.com