



Quality Workshops est. 1992

Real Estate & Taxes! What Every Agent Should Know Online Distance Learning

Course Provider: Quality Workshops
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Program Offering Dates: Ongoing

Number of Hours of Education: 4 Hours

Support Personal:
Walter Rice – Licensed Broker
Russell F. Niquette Jr., Esq. – RE Attorney
Justin Rice – Content & Marketing

Course Style: Online

Course Purpose: Continuing Education

We hereby certify that the information contained in this application is true and accurate to the best of our knowledge and belief. We have read the course responsibility checklist and agree to adhere to all requirements.

Walter L. Rice – Principle

Justin N. Rice – Sales and Marketing

Real Estate and Taxes! What Every Agent Should Know

Course Syllabus

I. Program Information

A. Course Description

This online electronic course, **Real Estate and Taxes: What Every Agent Should Know**, is an excellent resource for students looking to further their knowledge of how tax law changes have effect real estate investment. The course includes such things as real-life cases studies and learning objectives to highlight key topics. Moreover, review questions help to reinforce what the student has read.

B. Course Format

1. Reading Assignment Topics
2. Reading Comprehension Quiz
3. Interactive Exercises
4. Unit Exam

C. Learning Objectives

1. To identify the two main requirements for mortgage interest deductions.
2. To discuss the limits on home equity loans when determining tax deductions.
3. To summarize the differences between acquisition debt and home equity debt.
4. To list the three requirements needed for deducting interest on a qualified residence
5. To summarize the general requirements that must be met for home mortgage points to be deductible.
6. To explain the gain or loss formula.
7. To identify items that may be included in the selling price.
8. To list items that may or (may not) be used as selling expenses.
9. To explain adjusted basis and why correct determination is valuable in determining gain (or loss).
10. To summarize the differences between repairs and capital improvements and how this test applies differently to rental properties and personal residences.
11. To define Principal residence.
12. To explain when the gain realized on the sale or exchange of a principal residence is free.
13. To identify the tax planning ideas that have been replaced (i.e., 24-month roll-over and over-55 one-time exclusion).
14. To summarize the §121 requirements to exclude up to \$250,000, or \$500,000 if married filing jointly, from gross income.
15. To explain what happens when one spouse qualifies and the other does not.
16. To explain RREAs (Rental Real Estate Activities).
17. To summarize the requirements for material participation in rental activities.
18. To discuss the three common tests to define material participation for real estate investors.

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Course Syllabus - Continued

19. To list at least three types of taxpayers who will benefit from the 50% participation and 750-hour requirements.
20. To summarize the three criteria to establish an office-in-home deduction.
21. To define principal place of business.
22. To discuss which transportation costs may be converted to business mileage
23. To cite examples of direct and indirect expenses that are used to calculate the office-in-home deduction.
24. To calculate the office-in-home deduction.

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Course Syllabus - Continued

II. Implementation and Instruction:

Per *REcampus* online electronic course

III. Technology & Aids:

Online accessibility for students with access to the Internet

IV. Textbooks / Workbooks / Publications:

Inclusive with electronic program; any and all sections may be copied for personal use.

V. Instructor Information:

Instructors/Address	Phone/ Resume	Subjects/ Topics	Qualifications
Russel F. Niquette Jr. Esq. PO Box 1 7-9 E. Allen St. Winooski, VT. 05404	802-655-0780 Resume - Yes	All	Active attorney with vast experience in laws of agency, has been an instructor for Quality Workshops since 1992 and believes in education as a means of preventing litigation.
Walter L. Rice – Broker 389 Plank Road Vergennes, Vermont 05491	802-877-2465 Resume - Yes	All	Founder, Program Developer, Principal and Instructor for Quality Workshops since 1992.

VI. Program Advertising:

Through partnership with www.REcampus.com plus links from Quality Workshops site at <http://www.qualityworkshops.com/distancelearning/index.htm>

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Course Outline

Note: All content related materials are copy written by Dearborn Publishing. This outline is being provided to Vermont's Real Estate Commission for review and approval.

- I. Home Mortgage Interest Deduction
 - A. Overview
 - B. What is Acquisition Indebtedness?
 - 1. Caps
 - 2. Reducing Indebtedness & Example
 - 3. Refinancing & Example
 - 4. Substantial Improvements
 - 5. Divorce & Example
 - C. What is Home Equity Indebtedness?
 - 1. Example
 - 2. Fair Market Value
 - 3. \$100,000 Cap
 - a. Scenario I
 - b. Scenario II
 - D. What is a Residence?
 - 1. Qualified Residence
 - 2. Principal Residence
 - 3. Second Residence
 - 4. Dwelling Unit
 - 5. "Use" of Second Home
 - 6. Designating the Second Home
 - 7. Exceptions
 - a. Owning Two Homes and Purchasing Another & Example
 - b. Converting Principal Home into Vacation Home & Example
 - c. Owning Three Homes and Selling One in the Middle of the Year & Example
 - 8. Residence Used for Business & Example
 - 9. Special Rule for "Certain Residential Rentals"
 - 10. Residence under Construction & Example
 - 11. Interest on Time-Share Purchases
 - 12. Married Return

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Course Outline - Continued

- E. How does a Debt Become "Secured Debt"?
 - 1. Interest Deductibility and Secured Debt
 - 2. Correct Collateral
 - a. Example 1
 - b. Example 2
 - 3. Commercial Property Pledged Against Home Loan
 - 4. Home Pledged Against Commercial Loan & Example
 - 5. Avoiding the Itemized Deduction & Example
 - 6. Unrecorded Mortgage(s) & Example
 - 7. Unsecured Liens, Mechanics' Liens, General Asset Liens

 - F. What are the General Requirements for Home Mortgage Interest and Points to be Deductible?
 - 1. Interest
 - 2. Prepaid Interest & Example
 - 3. Deducting Points & Example
 - 4. Allocating Points over Life of Loan
 - 5. Expenses That Are Deductible Points
 - 6. Expenses That Are Not Deductible Points
 - 7. Points, Exception & Example
 - 8. Closing Statement Designates Points
 - 9. Points Paid Deductible by Buyer and Seller & Example
 - 10. IRS Requirements
 - 11. Key to Deductibility
 - 12. Points Paid from Earnest Money Deposit
 - 13. Rental of Large Portion of Residence & Example
 - 14. Refinancing Points Never Currently Deductible & Example
 - 15. Advance Planning May Help & Example
 - 16. Deductibility of Points When Home Sold Prior to Loan Payoff & Example
 - 17. Deductibility of Points When Loan Prepaid
 - 18. Seller Assistance in Obtaining Loan
 - 19. Mortgage Insurance Premium Points

 - G. Conclusion
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- II. Taxation of Profit: How Gains or Losses Are Computed
 - A. Overview
 - 1. Nonreportable Transfers & Example
 - B. What is the Gain or Loss Formula?
 - C. Computing Gain or Loss
 - 1. Basic Situation

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Course Outline – Continued

- a. First Variation
 - b. Second Variation
- D. What is Included in the Selling Price?
- 1. Contract Price v. Total Assets Transferred & Example
 - 2. Adding in Personal Property
 - 3. Allocating Purchase Price among Properties Purchased
 - 4. Possibility of Double Tax Penalty
 - 5. Depreciable Property
 - 6. Mandatory Depreciation
 - 7. Effect of Accumulated Depreciation
- E. What may be Included as Selling Expenses?
- 1. Selling Expenses
 - 2. Not Selling Expenses & Example
 - 3. Examples of Deductible Selling Expenses
- F. What is Adjusted Basis?
- 1. Original Cost v. Basis
 - a. Inheritance
 - b. Gifts
 - c. Spousal Transfers
 - d. Exchanges
 - 2. Adding to Basis (Purchase Expenses)
 - 3. Adding to the Basis (Construction, Reconstruction, Capital Improvements)
 - 4. Handling Repairs and Maintenance
 - 5. Repairs v. Capital Improvements
 - 6. Casualty Losses Reduce Basis
- G. Capital Gain Rates and Rules
- H. How are Options Taxed?
- 1. Example
 - 2. Tax Ramifications of Options
 - 3. Tax Ramifications to the Buyer
 - 4. Tax Ramifications to the Seller
 - 5. Selling an Option & Example
- I. Conclusion

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Course Outline - Continued

- III. Exclusion Rule for Gain on Sale of Principal Residence
 - A. Overview
 - B. What is the Definition of a Principal Residence?
 - C. Where is your Principal Residence?
 - 1. Only One "Principal" Residence
 - 2. Each Spouse May Have a Separate "Principal" Residence
 - 3. Property That May Qualify
 - C. When is the Gain Free?
 - D. What Tax Planning Requirements are Obsolete?
 - E. New Tax Planning Tips
 - 1. Claim Your State of Residency with Care
 - 2. Contractors Can Qualify for Exclusion on "Spec House"
 - 3. Exclusion Rule Is Optional, Not Mandatory & Example
 - 4. Wealthy Homeowners May Be Forced To Report Gain
 - 5. Exchanging Personal Residences
 - F. What are the §121 Qualification Requirements?
 - 1. Dating the Sale & Example
 - 2. \$500,000 Exclusion When Four Requirements Are Met
 - G. What happens if one Spouse Qualifies and the other does not Qualify?
 - 1. Owning a Home with a "Significant Other"
 - 2. Determining at Least Two of the Last Five Years
 - 3. Ownership and Use Need NOT Be Simultaneous
 - 4. Occasional Absences
 - 5. Rentals Are NOT Primary Residences
 - 6. Physically or Mentally Incapacitated & Example
 - 7. Exclusion Available Only Once Every Two Years
 - H. What if a Homeowner can't meet the Two-Year Rule?
 - 1. Sale or Exchange by Reason of Change in Place of Employment
 - a. Relief is available to new employees, transfers, and even the self-employed
 - b. The 50-mile Safe Harbor Rule
 - c. The Facts and Circumstances Test
 - 2. Sale or Exchange by Reason of Health
 - a. Physician Safe Harbor Rule & Example

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Course Outline - Continued

3. Sale or Exchange by Reason of Unforeseen Circumstances
 - a. Safe Harbors Relating to the Physical Structure
 - b. Other Unforeseen Circumstances Qualifying as Safe Harbors
4. Prorating the Excludable Gain
5. Days in Use or Between Sales

I. What Happens After Death or Divorce?

1. "Tacking" of a Deceased Spouse's Ownership and Use Allowed
2. Spousal Exclusion Expires the Next Year
3. Tacking of Ownership in Divorce
4. Tacking of Use in Divorce Allowed in One Situation

J. Does Renting the Home or Using it For Business Affect the Exclusion?

1. Rentals Still Qualify if Residence for Two of Five Years
2. Home Can Be Depreciated While Rented
3. Home Used for Both Personal and Business Purposes on Sale Date
 - a. Depreciation recapture still required on office-in-home!
4. Loss on Sale of Residence Not Deductible
5. Converting Home into Rental May Make Loss Deductible
6. Loss Prior to Conversion Not Deductible

K. How Much Land can be Sold with the Personal Residence?

1. The "one-acre" rule!

L. Conclusion

IV. Home Mortgage Interest Deduction

A. Overview

1. Pre-1986 Tax Shelter & Example
2. Closing the Loopholes & Example

B. The §469 Passive Activity Loss Rule (PAL Rules)

1. Exception to the Rule & Example
2. Deduct Passive Losses from Passive Income
 - a. Example
 - b. Example (Prior to the relief provision)
3. Relief Provision (RREAs)

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4. General Rule
 5. Material Participation
 6. Material
 7. Participation
 8. Proving Participation
 9. Aggregation of Rental Real Estate
 10. Properly Make Election
 11. Real Estate Owned by Passthrough Entities
 12. Applying the Passive Loss Rules to Vacation Condominiums
 - a. Taxpayer Loses on Vacation Home Deduction
 - b. A Winning Arrangement for Vacation Home Deduction
 13. Previously Suspended Rental Losses & Example
- C. Applying the PAL Rules to Real Estate Professionals
1. Establishing Involvement in a Real Estate Business
 - a. 50% Test
 - b. 750-Hour Test
 2. Several Caveats
 - a. Calculating 750 Hours
 - b. Spouse's Hours & Example
 3. Combining Real Estate Businesses
 4. Brokerage Trade or Business
 5. Prior Case Law
 6. No Combination to Get Around These Rules
 7. No Combination to Get Around These Rules & Example
 8. When Rental Is Sold for Large Profit
 9. Tax Planning & Example
- D. Conclusion
- V. Office-in-Home-Rules
- A. Overview
 - B. What are the Office-in-Home Requirements?
 1. Employee Working at Home
 2. Renting a Room to Employer
 3. Room Exclusively Used for Business & Example
 4. Operating Two or More Businesses from Same Home Office
 5. Exclusive Rule Exceptions: Day Care and Inventory Storage
 6. Regular Use

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7. Patients, Clients, or Customers
8. Separate Structures

C. What defines Principal Place of Business?

1. Applying the Principal Place of Business Test & IRS Example
2. Home-Office Definition Expanded
3. Parity
4. Two Tests
5. Tax Planning
6. Commuting from a Home Office & Example

D. What about Transportation Expenses from a Home Office?

1. Nondeductible Office-in-Home and the Transportation Deduction & Example
2. Accounting for Home-Office Expenses More Difficult

E. What is the Office-in-Home Calculation?

1. Calculating the Allowable Home-Office Deduction
2. Direct Expenses
3. Direct Expenses
4. Exception
5. Calculation of Business Percentage & Example
6. Limitation on Home-Office Deduction—No Losses & Example
7. Home Office Creates No Gain When Residence Is Sold & Example
8. Depreciation Taken after May 6, 1997, Must Be Recaptured & Example

F. Conclusion

VI. Case Studies

- A. Unit 2 Home Mortgage Interest Deduction
- B. Unit 3 Taxation of Profit
- C. Unit 4 Exclusion Rule
- D. Unit 5 Applying the Passive Loss Rules to Real Estate Professionals
- E. Unit 6 Office-in-Home Rules