

The Iowa Legal Insider™

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March 2010
Volume 21

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Available Housing Tax Credits and 5 Myths of Home Ownership

With home interest rates remaining very low and tax incentives being offered for first time home buyers and existing homebuyers is now the time to buy a house? Keep in mind the following:

Housing Tax Credits – The latest bill extends the \$8,000 tax credit for first time home buyers until April 30, 2009. It also provides a tax credit up to \$6,500 to homeowners who have lived in their current residence for at least five years and buy a new residence. However, the income limits are \$125,000 for a single purchaser and \$225,000 for a couple. There are diminishing credits available above these limits.

5 Myths of Home Ownership –

1. My Mortgage Interest Significantly Reduces My Tax Bill – While this is true for most home owners, it is not true for all. For mortgage interest to reduce your tax bill, the amount of interest you pay along with your other itemized deductions must exceed your standard deduction amount. For tax year 2009 if you file as single you receive a standard deduction of \$5,700, for head of household you receive \$8,350

and for married couples filing jointly you receive \$11,400. Therefore, if your mortgage interest and other itemized deductions do not exceed your standard deduction it does not save you any taxes. Also, the amount that it reduces your taxes is not as much as many people think. For example, if you are married filing jointly and have \$15,000 in mortgage interest along with your other itemized deductions, then usually you only avoid paying taxes on an additional \$3,600 of income. If your tax bracket is 25%, it would only be a tax savings of \$900.

2. All Costs Related to My Home are Deductible –

This is simply not true. While there are some energy tax credits available for people who have made energy conservation changes to their home or purchased certain energy efficient products like furnaces, etc. (see www.irs.gov for specifics), generally you are not allowed to deduct maintenance or home-improvement costs.

3. Money from a Home Sale Must be used to Buy Another Residence –

This used to be the law, but on May 7, 1997 home

(Continued to page 3.)

Effective, Efficient Results.



Jeri

Meet our Team/Employees

Jeri Smith first started working for us in 2006 while doing her paralegal internship through DMAACC- Des Moines Area Community College. When she graduated we did not have a position open, but once we did Jeri was the first person we called. Thankfully, she agreed to come work for us full-time in 2008 and for the last year she has been our Newton injury paralegal. She does a great job helping Corey's injury clients and also has the patience to deal with insurance companies on a daily basis. Jeri has been great addition to our team.



Kid's Corner

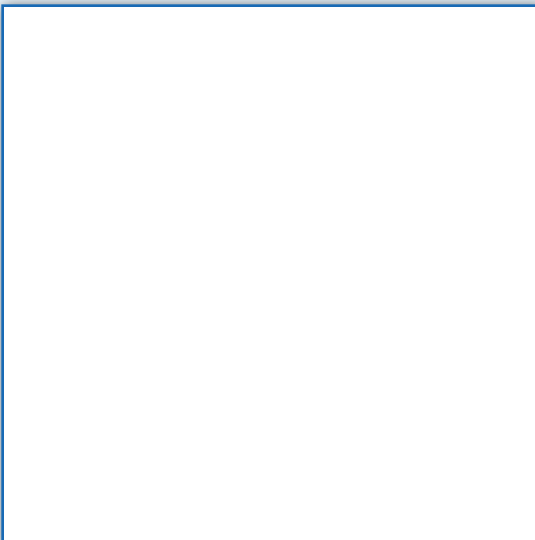
by Sophia Walker

I did my first year of YMCA swim team this year. Corbin did not want to do it, but he says he will give it a try this summer. I really love swimming and the breast stroke is my favorite.



We practice 4 or 5 nights a week which is a lot of work for mom and dad. Mom usually takes me to swim practice which means that Dad has to cook sometimes, but they say that it has been worth it. My relay team made it to state and we will be swimming at the YMCA in Marshalltown at the state swim meet.

Solve the Sudoku



(answers on back page)



Whether you are an art enthusiast or just appreciate the variety of life, you will enjoy the Des Moines Art Center. Located in the heart of Des Moines at 4700 Grand Ave. admission to the galleries is free. They are closed on Monday, but are open Tuesday, Wednesday, Friday

11 am – 4 pm, Thursday, 11 am – 9 pm, Saturday, 10 am – 4 pm and Sunday, Noon – 4 pm. There are special events every week and daily events during the Des Moines schools Spring Break, March 15-19. Learn more at www.DesMoinesArtCenter.org.



(Available Housing Tax Credits and 5 Myths of Home Ownership continued from page 1.)

sale tax laws changed. Now, if you live in your house for two of the five years before you sell it, there is no tax owed for the first \$250,000 of profit if you are single and \$500,000 of profit if you are married filing a joint tax return.

4. Putting My Child’s Name on My Home is a Smart

Move – This is a complicated area of the law because it not only involves tax laws, but estate and probate laws as well. For example, if a person deeds their home to their child, unless the child moves into the home with the parent and lives there long enough (2 of the previous 5 years) in order for it to be considered the child’s residence for tax purposes, the child will not receive the \$250,000 or \$500,000 residential tax break.

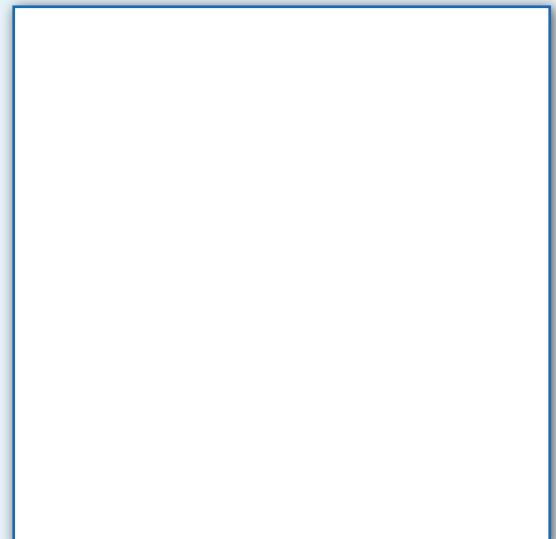
Other people decide to put their child’s name on their house which can create additional tax issues. When you put a child’s name on a house it is considered to be a gift to the child. Generally, inherited property comes with what is known as a stepped-up basis (the value of the property upon the death of the parent). If a child’s name is put on the property their basis generally becomes one-half of the basis that their parent has in the property. Let’s look at an example: A parent purchases a home for \$100,000 in 1990 and then later decides to put their child’s name on the property. The parent then dies and the house is worth \$200,000 at the time of their death. The child later sells the home for \$250,000. The child has a basis of \$150,000 (\$50,000

+ \$100,000 which is for the parent’s stepped-up basis) and now owes tax on \$100,000 of the profit. Whereas, if the child inherited the house their basis would be \$250,000 and no tax would be due on the sale. (Note: there could be estate tax owed on the parent’s estate depending on the size of the estate. You should consult an attorney before deeding a property.)

5. If I Lose Money on My House Then I Can Deduct

the Loss – Unfortunately, your residence is considered personal property under our tax laws and you are not allowed to deduct any losses if you sell your residence for less than what you paid for it.

**Answer to
Solve the Sudoku**



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**Do You Qualify for a
Housing Tax Credit and
What are 5 Myths of
Home Ownership?**

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Right to a Jury Trial

by **John E. Billingsley**

A disturbing thing happened the other day in Los Angeles. Attorneys were selecting a jury in a case involving work place harassment in the sheriff's office. Prospective jurors were being questioned by lawyers and they expressed disdain for the entire process. The prospective jurors were so hostile to being on jury duty that the parties gave up their right to a jury trial and tried the case to the Judge alone.

The right to a jury trial is a basic part of our freedom. The right of a jury trial is not just a protection for a person accused of a crime. It is also a means by which an injured person can claim redress for injury. However, when people have no respect for the jury when called upon to serve, there will be no jury for them when they need it.

We have to show our institutions the proper respect if they are going to function on our behalf. Jury duty is an opportunity to serve society. Only by treating the institution with respect can we protect the rights and freedoms that are all too easy to take for granted.

**Preview of Next Month
APRIL EDITION**

Spring is in the air. What new adventures
will Corbin and Sophie find?

