BUSINESS

MONEY MANAGEMENT

TAX DEDUCTIONS FOR JOB-RELATED MOVES

If you had to relocate as a result of a job change, you may be able to take a tax deduction for many unreimbursed job-related moving expenses. CPAs point out that deductible expenses include the costs of pre-move house hunting trips, transporting your family and your household to the new location, as well as some of the fees associated with selling your old home and buying a new house.

To claim these deductions, you must satisfy certain tests of time and distance, and you must itemize on your tax return. However, this deduction is not subject to the two-percent floor on miscellaneous itemized deductions.

• Meeting the Distance and Times Tests

To meet the distance test, your new job location must be at least 35 miles farther from your old residence than the old residence was from your former job location. In addition to satisfying the 35-mile distance test, you must work full-time for a specific period of time at the new job location.

To meet the full-time work requirement, employees must work in the new area for at least 39 weeks during the first 12 months after arriving in the new area. The 39 weeks of work need not be consecutive or with the same employer. For self-employed workers, the full-time work requirement is double the requirement for employees. Self-employed taxpayers must work at least 39 weeks during the first 12 months following the move, and a total of at least 78 weeks during the first 24 months immediately after the move.

If you and your spouse are employed and you file a joint return, either of you can satisfy the full-time work requirement. However, you cannot add the weeks your spouse works to those you work to satisfy the time test. The 39-week requirement is waived if you are disabled and cannot work, if your employer transfers you to a new location, or if you lose your job for reasons other than your willful misconduct.

• Deducting Direct and Indirect Moving Expenses

There are two types of moving expenses you may deduct: direct expenses which are fully deductible and indirect expenses which are deductible within certain limits.

Indirect moving expenses fall into three categories: pre-move house-hunting expenses, temporary living expenses at the new location, and certain costs associated with selling or renting your old home and buying or renting a new one. Unlike direct moving expenses which are fully deductible, you cannot deduct more than $3,000 of these expenses. Of the $3,000, no more than $1,500 may be deducted for pre-move house-hunting trips and temporary living expenses. Special rules apply to foreign moves.

In the house-hunting category, you may claim transportation, lodging and 80 percent of meal expenses for you and your family to travel to your new work location to look for new residence. If you need to live in temporary quarters when you arrive in your new home town, you may deduct the cost of lodging and 80 percent of meal expenses for any 30-day consecutive period after obtaining employment.

The final category of indirect expenses includes certain costs associated with the sales of your old and the purchase of a new one - including real estate agents' commissions, attorney fees, title and appraisal costs, and similar fees. These costs are deductible up to the $3,000 limit.

If you rent, you may be able to deduct any penalty you paid to break the lease on your old apartment or house, and any commission or legal fees you incur (up to the $3,000 limit) in renting a new apartment or house.

Expenses necessary to move your family's furniture, household goods, and personal belongings, as well as storing your belongings for up to 30 days, are considered fully deductible direct expenses.

You may deduct the full cost of your family's transportation and lodging on route to your new residence, as well as 80 percent of the cost of your family's meals. Deductible direct expenses also include the costs for food (subject to the 80 percent limit), and lodging for one day before your departure from your old home (assuming you were unable to live in it then), and for the day you arrive at the location of your new home.

CPAs point out that you must report as gross income any reimbursement you receive from your employer for moving expenses. You can then offset the reimbursement with your allowable deductions for moving expenses.

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Real Estate Perspective

By Loretta A. Hall

WHAT IS A MORTGAGE BROKER?

...and what are some of the pros and cons in this industry?

A mortgage broker can help find you the lowest interest rate for a mortgage loan. Mortgage brokers originate one-third to one-half of all new mortgages today. In some cities this figure is higher. Mortgage brokers do business with a wide assortment of lenders, so they know the current rates, fees and lending requirements. The standard procedure when using a mortgage broker is you fill out an application, disclose your debts, income and assets. The mortgage broker verifies all information which was provided to him on your application and the next step is to get an appraisal report on the property your are interested in financing.

All the data is submitted to the lender whose mortgage suits you best. If you are turned down, the mortgage broker will press your case for you and perhaps by finding extra verification for income the bank did not want to rely on. If you are still turned down, the broker will take your application to another lender. You do not have to fill out another set of forms. Mortgage brokers are especially helpful to people with potential problems. This includes buyers who want "jumbo" loans (typically those larger than $202,250.); the self-employed, whose income may be considered unreliable; first-time buyers without a long work history; borrowers who had credit problems in the past; marginal borrowers, whom a bank has turned down for being a little short of cash; and people who are just too busy to shop around for low mortgage rates.

Not all brokers handle FHA or VA loans. For these low or no down payment mortgages, you may have to approach mortgage lenders yourself. The ways of paying a mortgage broker are as various as the firms themselves. You will find application fee, processing fee, fee for the broker, fee for the lender and other closing costs which typically reach 2 percent to 2.5 percent of the amount borrowed on a first mortgage. However, in general, it should not cost any more to work through a mortgage broker than it would cost you to go to the lender yourself. But prices do vary. Sometimes mortgage brokers charge more than lenders and sometimes less. On expensive homes, you may be able to negotiate a lower fee. On second mortgages and FHA loans, costs typically exceed 2 percent, and sometime by a lot. Your only test of the broker's price is to call the lender and see what you would pay if you were to cut out the middle man (the mortgage broker.) Also keep in mind, how much you pay up front depends on you present situation and financial state.

Usually, application fees run anywhere between three hundred to five hundred dollars, plus the cost of the appraisal and credit check. But that is all you should pay up front. The rest of the fees are normally paid when the loan is closed. It is my understanding that if the mortgage doesn't come through, your application fee should be refunded.

However, remember, like any other industry, the mortgage broker industry isn't problem free. States hear complaints about mortgage brokers who promise to refund application fees, drag their heels on applications, etc. If you do decide to use a mortgage broker make sure he or she has at least two or three years of experience in originating mortgages, either in his or her own firm or working for

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