Tax confusion spurs concern

Realtors work to clear up misconceptions

By Angelia Davis
Staff writer
davisal@greenvilleonline.com

Local real estate agents are working to clear up misconceptions about the 3.8 percent tax in the new health-care law that takes effect in January.

The 3.8 percent tax in the "Unearned Income Medicare Contribution" portion of the health-care law on some investment income was passed by Congress in 2010 with the intent of generating about $210 billion to help fund President Barack Obama's Affordable Care Act, according to the National Association of Realtors.

Nick Kremydas, chief executive officer of South Carolina Realtors, said since the health-care law was passed, emails have been circulating calling the 3.8 percent tax a sales tax on your home.

"That's not an accurate statement," Kremydas said. "It's more of a capital gains tax on folks with certain investments and certain incomes."

The new tax, where it applies, is collected only from individuals with adjusted gross incomes above $200,000 and couples above $250,000, according to the National Association of Realtors.

Nick Sabatine, chief executive officer of Greater Greenville Association of Realtors, said he began receiving calls from homeowners this week.

"It's worrying people, scaring people," he said. And, "the person who doesn't get it straight may hesitate to sell their house because of it."

Fritzi Barbour, vice president and broker-in-charge at Coldwell Banker Caine, said misinformation circulating on the Internet about the 3.8 percent tax "has the potential to hold back the housing recovery everywhere."

"Those that believe that just because they read an item that claimed it would apply to every sale may choose to stay where they own instead of selling and

See TAX, Page 7B

TAX

Continued from Page 1B

taking advantage of both great interest rates and great buyer choice of other homes," she said.

A common misconception about the tax is that it applies to all real estate transactions.

The new tax does apply to some real estate transactions in a very limited number of circumstances, said Nick Kraspak of the Tax Foundation.

"It's not specifically a home sales tax. It's just a new tax on investment income," he said.

The National Association of Realtors says in a brochure that the new tax may be imposed on some income from interest, dividends, rents (less expenses) and capital gains (less capital losses), but only from those individuals with an adjusted gross income above $200,000 and couples filing a joint return with more than $250,000 AGI.

The number of people who may be affected in South Carolina is not yet known, but in 2010, South Carolina ranked 42 among states with 1.87 percent of the state's tax returns listing incomes over $200,000, according to Tax Foundation calculations based on IRS statistics.

A vast majority of people and real estate transactions will not be subject to the new tax, according to FactCheck.Org.

The first $250,000 in profit from the sale of a personal residence won't be taxed, or the first $500,000 in the case of a married couple, FactCheck.Org said.