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Out and About



January 2008

Home is Where Your Story

Happy New Year

Happy New Year! 2008.
Well, after a very slow year, real estate wise, it appears that the market in our area seems to be once again moving.

Our area appreciation for the past two years is pretty much flat. The good news is that houses that have been sitting on the market are now being seen with a contract pending's which is a very good thing.

The activity is probably the result of reports from Freddie Mac, the mortgage company, as they reported that as of today, a 30 year, fixed rate mortgage was averaged at 5.69 percent.

That's the lowest rate since

Recipe of the Month:

Beef Noodle Bowl

8oz linguine, uncooked
3 c. broccoli florets
3 carrots, peeled & sliced
2 t. oil

1 # beef sirloin cut into strips
1/4 c. Kraft Asian Toasted Sesame Dressing
1 T. teriyaki sauce

Cook pasta as directed on pkg. adding veggies to the boiling water for the last 2 minutes of pasta's cooking time.

Meanwhile: heat oil in large nonstick skillet. Add meat;

Free Radon Test

January is National Radon Month. As many as 22,000 annual lung cancer deaths are related to the inhalation of radon.

Radon is a colorless, odorless and tasteless gas that seeps up through the ground and diffuses into the air.

Beginning January 1st of this year, all Sellers must sign a Radon Disclosure Form prior to accepting a contract.

This disclosure informs the Buyer of any knowledge of radon that may be present in the home.

To obtain a coupon for a free radon test kit or to learn more about radon, contact the Res-

**“If you can’t make it good,
at least make it look good.”**

Senior Citizen's Tax Deferral Forms Available...

DuPage County Treasurer Gwen Henry has announced the application period for the Senior Citizen Real Estate Tax Deferral Program.

Under this program, senior citizens who qualify may defer the property taxes on their personal residences for the 2007 tax year.

To qualify, residents must be 65 or older, the property must be exclusively used for residential properties which includes homes, town homes and condominiums. Household income cannot exceed \$50,000. Household income is defined

The property must have been owned and occupied by the senior for at least three years and the real estate taxes must be current.

The deferral is treated as a loan and accrues 6% simple interest until paid. The deferral amount must be repaid immediately upon sale of the home or within one year of the settlement of the citizen's estate.

Application forms can be mailed to any interested senior by contacting the treasurer's

Thinking of doing some remodeling?

Here are some estimates on repairs and redo's.

Increase electrical service to 200 amps.....	\$700.00 to \$1,200
Replace water heater.....	400.00 to 650.00
Sand and Finish Hardwood Floors.....	1.50 - 3.50 sq foot
Install humidifier.....	300.00 to 550.00
Replace storm windows.....	60.00 to 100.00 ea
Replace existing windows.....	250.00 to 500.00 ea
Replace gutters and downspouts.....	2.50 to 3.50 linear ft.
Build a two car garage.....	8,000.00 to 12,000.00
Remodel bathroom.....	7,000.00 to 12,000.00
Add a half bath.....	3,500.00 to 5,000.00
Add a full bath.....	7,000.00 to 12,000.00
Remodel a Kitchen.....	8,000.00 and up

FOR MOST of us, tax day comes just once a year — on April 15. But for people who owe estimated taxes, Uncle Sam expects a check four times a year. Unfortunately, one of those poor quarterly taxpayers may be you if any of the following applies to your situation.

- You cashed in some serious stock market winners this year but haven't changed your withholding.
- You or your spouse became self-employed and now owe income and self-employment taxes for your efforts.
- You finally decided to hire a nanny and pay her federal payroll tax. You can do this in quarterly payments or in one lump sum when you file your taxes in April. (But you may owe interest if you wait until April.) For more details, see our story "The Nanny Tax."
- You have income from other sources that you forgot to consider (or had no way of knowing about) when you filled out your W-4 for 2006.

Now that I've gotten thousands of you scared, let me tell you who should not worry about estimated taxes even if one of the above holds true. Anyone who expects his 2006 tax bill net of salary withholding to be under \$1,000. Any U.S. citizen or resident whose tax bill for 2005 was zero. You are exempt.

As for the rest of you, please keep reading. I've tried to be brief, but the rules are complex. So anyone wanting more information should download IRS Publication 505 from the IRS Web site.

The Fundamentals

Estimated tax payments for the 2006 tax year are due on April 17, June 15, Sept. 15 and Jan. 15 of 2007. If you underpay one or more installments, you get charged interest until the day you catch up. However, the government charges a very reasonable rate — only 7% at the time this was written, subject to change each quarter. (So if you want to pay off your 18% credit card balance instead, go ahead.) Any payments outstanding after April 15 next year are subject to a 0.5% per month "failure to pay" penalty on top of the interest. All payments should be accompanied by Form 1040-ES, which you can also download from the IRS Web site. It takes just a few seconds to fill out (honest).

So How Much Do I Owe?

If you want to completely avoid any interest charges, you must cough up enough to satisfy any one of four "safe-harbor" guidelines. Remember to include any withholding when calculating your payments.

- The first safe harbor is only for folks with 2005 adjusted gross income of \$150,000 or less. You will be safe for 2006 if you pay in at least the tax liability number shown on last year's return (the amount on line 63 of Form 1040 reduced by any tax credits).
 - If your 2005 adjusted gross income was over \$150,000, you are covered if you pay in at least 110% of last year's tax liability.
 - Regardless of your income level last year, you are cool with the feds if you pay in at least 90% of whatever this year's tax bill turns out to be. Obviously, this requires some guesswork on your part. Hence the term "estimated taxes."
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· Finally, if this year's income starts off low and ends up high (say because you have huge fourth-quarter capital gains), you should probably use the "annualized method." This is an exception to the general rule that your four estimated tax payments should be equal. Under the annualized method, estimated payments correspond to your cash flow, so you won't owe big installments on the earlier due dates before you have the money to pay them. Unfortunately, the calculations are fairly difficult. (See the instructions to Form 2210, Underpayment of Estimated Tax by Individuals, Estates and Trusts.)

You are free to use whichever of the above safe harbors does the best job of minimizing or deferring your estimated tax payments. However, if you don't successfully pull into one of the safe harbors, you'll be charged interest on the payment shortfalls. You can calculate the interest yourself when you file your 2006 return (using Form 2210) or let the IRS do the math and bill you.

Example: You figure you'll owe the government \$20,000 for this year, but only \$12,000 will be withheld from your salary. Obviously, you'll be underpaid to the tune of \$8,000. But there's no need to make any estimated payments if your 2005 tax bill was \$12,000 or less (assuming 2005 adjusted gross income was \$150,000 or less). The first safe harbor listed above gets you off the hook. But if last year's tax bill was \$15,000, you'll need to make \$3,000 in estimated payments (\$750 each) to reserve your safe-harbor berth.

What If I Miss a Payment?

You won't be the only one. You have several alternatives to avoid or at least minimize the interest-charge hit.

Say you extended your 2005 return and will be getting a \$2,000 refund. After reading this, you are surprised to find out you owe \$3,000 in estimated payments for 2006 (\$750 each). Here's the easy solution: When you file your 2005 return, tell the IRS you only want \$500 back (by entering that amount on line 73 of your 1040). You can use the other \$1,500 to cover your April and June estimated payments (enter \$1,500 on line 74 of your 2005 return). Then stay on track by making the last two payments by the Sept. 15, 2005, and Jan. 16, 2006, deadlines.

You can also reduce or eliminate the interest-charge hit from missed estimated tax payments by increasing your salary withholding. Do this by filing a new Form W-4 with your employer. For example, say you owe a total of \$3,000 in estimated payments. If you can jack up your withholding between now and year's end by that amount, your estimated tax obligations vaporize.

Finally, you can stop the interest-charge bleeding simply by making oversized estimated payments to compensate for earlier underpayments. Say you missed the \$750 payment due on April 17. If you pay in \$1,500 on June 15, you're all caught up. Of course, you'll be charged two months' interest on the \$750 shortfall, but the interest is only a few bucks.