

Emails Perpetuate Mistruth About a 3.8% Medicare Tax on Real Estate Sales

I guess it was to be expected, now that the presidential election year has arrived. Over 18 months ago I wrote about an email being circulated by the anti-Obama crowd misrepresenting a Medicare tax contained in the Affordable Healthcare Act.

The new tax contained in "Obamacare" extends the 3.8% payroll tax for Medicare to investment income for taxpayers whose Adjusted Gross Income (AGI) is over \$200,000 (for a single filer) or over \$250,000 (for married filers).

Currently, the Medicare tax, like Social Security tax, is applied only to "earned" income, but Obamacare extended it to "unearned" income for the super-rich.

The emails which are circulating again claim that if you sell your home for \$100,000, you'll pay \$3,800 in "sales tax," but they neglect to mention that (1) the tax is

on profit, not on sales price, (2) that the \$250,000 (single)/\$500,000 (married) exemption of gains on primary residence still applies, and (3) that the tax only applies if your AGI exceeds \$200,000 (single) or \$250,000 (married).

So while the emails — which are still being circulated by Obama-haters — state that this tax applies to the entire purchase price on every home sale, it is, in fact, unlikely to apply to more than 1% of the population.

Even if a married millionaire were to sell his home for \$600,000 more than he paid for it, he would probably have no taxable gain at all, since \$500,000 of the gain is exempt, and his costs of selling could be over \$100,000. And how many millionaires are selling their homes for a big profit nowadays?

Here's an offer for those who

believe they'll be taxed — List with me and I'll pay the tax for you out of the commission I earn!

So, right off the bat, let's recognize that almost no homeowner is going to be paying the Medicare tax on the sale of his/her home. And if they are, it's not 3.8% of the sale price but 3.8% of the profit in excess of \$250,000 or \$500,000.

So that leaves only investors — you know, the guys with really good accountants who probably have an AGI well below those of us with earned income. If any of them pays this tax on their AGI over \$200,000 or \$250,000, they can afford it. Period.

Yet, when this truth is explained to the Obama-haters, their response is typified by this response from a Realtor on a LinkedIn group which I monitor: "Even though this only applies to the top 5%, it is only the beginning..." Or, more typically, they don't hear you and keep on spreading the mistruth.

This Week's Featured New Listings

Two New Listings in Village at Mountain Ridge

The Village at Mountain Ridge is Golden's premier subdivision. Located within Golden on the west side of Hwy. 93, the entire subdivision backs to Mt. Galbraith Open Space Park, with a trailhead located on Canyon Point Circle. Kids walk to the Mitchell School. The top



home is 168 Eagle Drive, a 2,383-sq.-ft. home for \$395,000. The one at left is a 3,167-sq.-ft. home at 412 Canyon Point Circle for \$565,000. Both these homes will be open this Saturday only, 1-4 pm. Video tours of both are at: www.MountainRidgeHome.com.

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