

REAL ESTATE



Ray Evans, Tax Manager
revans@rina.com
(925) 210-2180
1220 Oakland Blvd., Suite 300
Walnut Creek, CA 94596
www.rina.com



Q I lost my home through foreclosure. Are there tax consequences?

A Generally the sale of mortgage property pursuant to a foreclosure is treated as a sale of the property. Additionally, if your loan is cancelled and it is a recourse loan, that is a loan for which the lender can pursue you personally in default, you may have to include the cancelled amount in income.

Taxpayers with non-recourse debt do not have cancelled debt income when the property is foreclosed. They include in income, as a capital gain, the excess of debt over the basis of the property.

Taxpayers with recourse debt must make two computations. First, a reportable gain to the extent the sale price of the property exceeds the basis; second, cancellation of debt income to the extent the total amount of debt exceeds the fair market value of the property.

To discuss your situation in more detail, please contact Ray Evans at (925) 210-2180.