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It Happened in May:

The New York Stock Exchange was established, 1792.

Germany surrendered to the United States, 1945.

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Homeowners Exemption

I have been hearing that Cook County is looking at eliminating the "Homeowners Exemption Credit". Taxpayers whose single-family home, townhouse, condominium, co-op or apartment building (up to six units) is their primary residence can save \$250 to \$2,000 per year off their property tax bill.

The loss of this credit would have a devastating effect on tax payers. Most of my clients are at the higher end of the credit and the loss of up to \$2,000 is noticeable. Especially since Cook County appears to be constantly increasing their real estate taxes with an incremental creep and an every third year money grab.

If the County does eliminate the credit I will be creating an LLC (or possibly a Trust) and selling my home to the LLC. Then I will become a renter.

With this strategy, any expenses that I incur for property tax reduction will be legal expenses that are deductible on the tax return. Any improvements to the property will be capitalized and written off (i.e. new roof, furnace, air conditioning, windows, doors, hot water heater). All are eligible for capitalization and depreciation.

Also then all repairs and maintenance are deductible. I have the interior and/or exterior painted and it is deductible.

This is how it is done on all rental properties. They are investments that bring in revenue and have to be maintained. For those who rented in the past, you noticed that the property probably have a fresh coat of paint and maybe an improvement to the property, before you moved in. This is to make the property more attractive to a tenant. You also knew that you were paying for it with your rent. The property taxes when up your rent probably went up as well.

That is why you own now. You wanted equity and the deductions. You may need to look at a different strategy for this to continue.

Also, look for a shift in home ownership if Congress removes the property tax and real estate interest deduction from Schedule A. This has been discussed on a regular basis for years. They cannot remove these deductions from businesses quite as easy as for an individual.

You need to plan for any moves that the government takes to remove your benefits and liberties and know how you will shift your plans to protect yourself. For more information contact our office for an appointment.

Dates to Remember

- Mother's Day
- Memorial Day
- Ascension Day

This Month's Featured Service

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Underwater and the LLC

I have a client that is looking to rent out their old house because they are underwater. They are reluctant to refinance into an LLC because of the current rate and they are again underwater.

I relayed a story about my banker doing me a favor when I moved my office mortgage over to them; they did an internal appraisal, one to save me money and to speed up the process. It helps to have a good working relationship with your banker.

I actually have decent relationships with a number of bankers. But alas this client does not a banking relationship to speak of, and my relationship will not extend directly to clients.

I am hoping that the client looks beyond the immediate incremental expenses and inconvenience and looks at their big picture of protecting their future before renting their home.

Finances and an Advisor

One of the results of this tax season is the growing concern about personal finances. I had more clients ask for referrals to financial advisors because so were unhappy with their current advisor, planning to retire or recently come into money. I gave them a few referrals and cautioned them to interview them all. In my mind it is essential that you work with someone you feel comfortable enough to pick up the phone and ask them a question.

I also questioned a number of clients about their investment strategy. I had client who had nothing but losses. With the market up last year showing nothing but losses to me is something to be questioned. I am a believer in buying low and selling high. This strategy typically causes gains not losses. I also believe in having losses offset gains as well. But losses that exceed the \$3,000 threshold with no gains to offset are grounds for a question in my mind.

But to help address my clients concerns I have an extended few offers to assist with a budget to determine what their potential distribution rate will be. I know that at least one of the advisors will offer a detailed financial plan to assist. The others have detailed strategies to assist in meeting goals.

But I do believe that you should be working with a financial professional to assist with a strategy and to ensure that you have a plan to meet your goals.

-Leif Jensen

Featured Client



**Need
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