7 housing tax laws you don't want to miss.

The housing crisis has a silver lining: It brought tax relief to many homeowners.

Over the last few years, lawmakers have created new home-related tax laws and tweaked existing ones to give beleaguered homeowners some relief at filing time. And some homeowners have more options when it comes to selling. Plus tax breaks for energy-efficient home improvements also made it back onto the books. But not all the changes help homeowners save money. The law affecting vacation-home sales was designed to put a bit more cash into the U.S. Treasury. This new tax money source was created primarily to pay for other home-related tax breaks. As with most taxes, whether the residential tax law changes will help or hurt you depends upon your individual circumstances. Check out these seven recent real-estate-related tax measures to gauge their possible effects, for good or ill, on you.

7 new homeowner tax laws

1. Cancellation of debt income
2. First-home buyer credit
3. PMI deduction
4. Property tax addition to standard deduction
5. Surviving spouse home sale tax exclusion
6. Energy-saving home improvements
7. Second-home sale limits

1. Cancellation of debt income

One of the first housing-related tax relief measures was the Mortgage Forgiveness Debt Relief Act of 2007. Enacted on Dec. 20, 2007, the law's main provision allows taxpayers to exclude debt forgiven on their principal residence when the mortgage is restructured or the property goes into foreclosure.

Previously in these cases, when a homeowner renegotiated a home loan and convinced the lender to reduce the amount of principal owed, the homeowner owed taxes on the amount of forgiven mortgage debt. A similar canceled debt situation occurred in foreclosure situations. So that these financially strapped homeowners wouldn't face taxes on top of their property debt problems, the 2007 law enables them to exclude the mortgage debt from their taxable income. Up to $2 million in forgiven debt is now untaxed.

As the scope of the housing crisis expanded, Congress modified the original debt forgiveness law. The latest change came in the Emergency Economic Stabilization Act, the bailout bill enacted in October 2008. Now, mortgage loan debt canceled in 2007 through 2012 is not taxed. Your lender should send you a Form 1099-C, Cancellation of Debt, showing any forgiven debt. You need to report the eligible canceled mortgage debt on Form 982 and send it in with your personal tax return.

2. First-home buyer credit

Washington took two stabs at a tax break for buyers of a first home. In July 2008, the Housing and Economic Recovery Act created the First-Time Homebuyer Credit. Although called a credit, the $7,500 tax break, or 10 percent of the property's purchase price (whichever is less), must be paid back. Lawmakers, however, passed the measure in the hopes that it would help some buyers get into their first homes. This first-home tax break originally applied to first homes bought between April 9, 2008, and

June 30, 2009. However, when a second measure, the American Recovery and Reinvestment Act of 2009, became law on Feb. 17, the first-time homebuyer credit became a true credit.

Now purchasers of a first home between Jan. 1 and Nov. 30 of *this* year can get an actual tax credit that reduces their tax bills dollar for dollar. In addition, the credit amount for qualifying 2009 home purchases is increased to $8,000. Homebuyers also have a choice of when to claim the 2009 credit. The $8,000 amount can be taken on 2009 tax returns that are due next year or, if it makes more tax sense, the new homeowner can claim the credit on his or her 2008 return this year. There are income limits on the 2008 and 2009 versions of the first-home buyer credit. And if you bought your first residence on or after April 9 but by Dec. 31 of last year, you must claim the earlier $7,500 amount and eventually pay it back.

3. PMI deduction

Typically, if your home down payment is less than 20 percent, your lender will require you to buy private mortgage insurance, or PMI. This policy protects the lender if you default, but you must pay the premiums, usually as part of your monthly mortgage payment.

However, on certain home loans issued since 2007, these premium payments have been deductible as an itemized expense. This tax break is in effect for eligible new home loans issued through the 2010 tax year. The Form 1098 or similar year-end statement you get from your lender should show the amount of PMI premiums you paid during the tax year. Enter that figure in the "Interest You Paid" section (line 13) of your Schedule A. The amount of PMI you may deduct is limited if your adjusted gross income is more than $100,000 ($50,000 if married filing separately). You'll get no deduction if your adjusted gross income is more than $109,000 ($54,500 if married filing separately). A work sheet on page A7 of the Schedule A instruction book, or your tax software, will help you calculate your exact PMI deduction amount.

4. Property tax addition to standard deduction

Another popular home-related tax break, the property tax deduction, also has been expanded. Previously, real estate taxes were a welcome tax deduction for homeowners who itemized. These annual payments to county and local governments could be claimed on Schedule A to increase the taxpayer's deduction total.

Now, however, homeowners who do not itemize will get to claim at least a portion of their real estate tax payments as part of their standard deduction. Up to $500 for single homeowners, double that for joint filers, can be added to the taxpayer's standard deduction amount. Simply check box c on line 39 of Form 1040 or line 23 of Form 1040A.

This standard property tax deduction add-on should help homeowners who don't have enough deductions to itemize, but who still pay property taxes each year on their personal residences. It originally applied to just the 2008 tax year, but a provision in the financial industry bailout bill enacted last October extends this tax break through 2009.

5. Surviving spouse home sale tax exclusion

A widow or widower has many difficult decisions to make soon after losing a spouse. But a provision in the Mortgage Forgiveness Debt Relief Act of 2007 now offers surviving spouses some tax relief in connection with one of those decisions, the sale of the family home. In most cases, a seller can exclude

up to $250,000 in profit from the sale of a primary residence. The tax-free amount is $500,000 when the home is sold by a married couple filing a joint return.

Under previous law, when a spouse died, the surviving husband or wife could take advantage of the full $500,000 sale exclusion only if the home was sold in the same year the spouse died. If the sale took place after that year, the surviving husband or wife was entitled to only the $250,000 exclusion amount. Now, however, a surviving spouse can exclude up to the full $500,000 as long as the sale occurs within two years of spouse's date of death. The surviving spouse still must meet the regular ownership and use requirements; that is, the widow or widower must have lived in the property as his or her primary residence for two of the five years before the sale. There is no sunset date for this tax law. The surviving spouse home sale exclusion relief is permanent.

6. Energy-saving home improvements

In 2005, the Energy Tax Incentives Act created many tax breaks for homeowners who made energy-efficient improvements to their homes. Several of those tax breaks have been in place for years. More recently, other energy-saving options have been added to the home upgrade list.

The more elaborate energy-saving options, such as fuel cells, wind energy and geothermal and solar heating equipment, are among the tax breaks that have been in continuous effect. However, the easiest home energy improvements for homeowners to make -- installing storm windows and doors, adding insulation, buying a new energy-efficient air conditioner or heat pump -- expired at the end of 2007. In 2009, those tax benefits are back. And the American Recovery and Reinvestment Act stimulus measure that became law in February expanded the dollar amount of these credits and made them available through 2010.

Tax credits in 2009 and 2010 for energy-efficient home improvements

Product category	Product type
Windows	Exterior windows and skylights and storm windows
Doors	Exterior doors and storm doors
Roofing	Metal roofs, asphalt roofs
Insulation	Insulation
HVAC	Central A/C Air source heat pump Gas, oil, propane furnace or hot water boiler Advanced main air circulating fan
Water heaters	Gas, oil, propane water heater Electric heat pump water heater

For each of these qualifying improvements made to your home between Feb. 17, 2009, the date the latest stimulus act became law, and Dec. 31, 2010, you can claim a tax credit of up to 30 percent of the product's cost. There is, however, a maximum credit cap of $1,500 per homeowner for all improvements combined.

For products purchased between Jan. 1 and Feb. 16, the available tax credits are less clear because the new legislation essentially overwrote the previous law reinstating the energy improvement. The IRS

should clarify how these credits can be claimed later this year. In the meantime, hang onto to any receipts for all home energy improvement products purchased this year. Improvements must meet or exceed specific energy-saving standards. Additional product and tax savings guidelines can be found at the U.S. government's Energy Star Web page. For all tax years and all types of home energy improvements, you'll need to file IRS Form 5695 to claim your credits.

7. Second-home sale limits

In order to help pay for many of the new housing-related tax breaks, the tax law affecting second-home sales was changed beginning in 2009.

Thanks to a provision of the Housing and Economic Recovery Act of 2008, the U.S. Treasury now should make more money off second home sales. Previously, owners of multiple properties could move into one of their other homes, live there as their primary residence for two years and then sell the house and pocket any gains tax-free up to $250,000 if single, $500,000 for a home owned by a married couple who files a joint return.

Now, however, the time that the property was a second home or investment property must be taken into account. The owners now will owe tax on part of the sale money based on how long the house was used as a second, rather than their main, home. As with the surviving spouse home sale exclusion change, the taxation of second home sale profit also is a permanent tax law change. Of course, "permanent" doesn't always mean forever on Capitol Hill. Neither is there any guarantee that temporary tax breaks will be extended. So keep an eye on all these home-related tax changes. If any can help you, be sure to take advantage of them while they still are on the books.