



Test your tax knowledge quiz on income and estate tax laws

December 28, 2007 - Long Island

This is another in a series of quizzes designed to "Test Your Tax Knowledge" on income and estate tax laws affecting the acquisition, construction, leasing, operation, financing and disposition of real estate. See how well you know the tax law affecting real estate by answering the following questions. The answers can be found at the bottom of the page:

1. Qualified tenant improvements can be depreciated over
 - a. The term of the lease
 - b. 7 years
 - c. 15 years
 - d. 39 years

2. True or False. In many cases, New York State now allows a refundable income tax credit for the full amount of mortgage recording tax paid.

3. Which of the following financing costs is generally tax deductible in full at the time of a refinancing?
 - a. Mortgage brokerage commissions
 - b. Mortgage recording tax
 - c. Title insurance premiums
 - d. Closer gratuity

4. True or False. For 2007, New York State has repealed the \$100 annual filing fee for a single member LLC.

5. An individual sells real property on December 29, 2007 and intends to qualify for a Section 1031 exchange. When is the last day for acquiring replacement property?
 - a. February 12, 2008 (45 days)
 - b. April 15, 2008 (due date of 2007 tax return)
 - c. June 26, 2008 (180 days)
 - d. None of the above

6. True or False. In order to qualify for the \$250,000/\$500,000 principal residence sale exclusion, a seller must acquire a new principal residence within 2 years of the date that the original principal residence was sold.

7. If real property is lost or destroyed by casualty or involuntary conversion, the tax law generally allows a real estate owner to defer excess insurance proceeds, if replacement property is acquired:

- a. Within 2 years from the casualty or loss event
- b. Within 3 years from the casualty or loss event
- c. By the end of the second tax year following the year of the gain
- d. By the end of the third tax year following the year of the gain

8. In which type of casualty/involuntary conversion does the tax law give a real estate owner an extra year to find replacement property to defer recognition of any gain?

- a. Fire
- b. Vandalism
- c. Hurricane or Tornado
- d. Condemnation

9. True or False. If the owner of an office building, owned free and clear of debt, uses the \$2 million proceeds of a mortgage borrowing to purchase a \$2 million yacht used for personal pleasure, none of the interest paid on that \$2 million will be tax deductible.

10. True or False. In general, a deduction for real estate taxes paid is only available to the owner of the property or someone related to the owner.