

TUCSON REAL ESTATE UPDATE

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Happy New Year! May the real estate market be shiny and bright in 2007. Now that Arizona has been determined to be the fastest growing state in the country, surpassing Nevada, there can be no doubt about the strong demand for housing. And that demand has been pent up for nearly a year now with Tucson's population reaching the million mark. Couple that with a larger than ever inventory of homes for sale, a thriving economy, and historically low interest rates – how can we miss? To add a little icing on the cake, it would appear that the government, by virtue of a last minute omnibus tax bill, is now going to allow the premiums paid for Private Mortgage Insurance (PMI) to be tax deductible. For many people that could mean another \$1,000 +/- per year deduction.

The Tax Relief and Health Care Act of 2006, which was passed by both the House and Senate provides the following:

“Section 6050H of the Internal Revenue Code of 1986 (regarding mortgage interest) is amended by adding at the end the following new subsection:

*In general.--Premiums paid or accrued for qualified **mortgage insurance** by a taxpayer during the taxable year in connection with acquisition indebtedness with respect to a qualified residence of the taxpayer shall be treated for purposes of this section as interest which is qualified residence interest.”*

So, check with your accountant to be sure how this may affect your return for this coming year. It may also be worth checking with several lenders to find out if refinancing makes sense. It may be time to get rid of a high interest rate “second mortgage” or piggyback loan - refinancing in favor of a lower rate, single mortgage with PMI when the borrower does not yet have 20% equity in their home.

And, for those who are currently paying Private Mortgage Insurance, the deductibility will only apply to loans written after December 31, 2006. So – depending on the rates and closing costs – you may consider refinancing as well.

Year-end statistics from Tucson Association of REALTORS[®] Multiple Listing Service were not yet available to meet the deadline for this column – but a summary from them will appear next month. All indications are that we actually had another year of growth in the area overall.

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