

**MORTGAGE FORGIVENESS  
DEBT RELIEF  
ACT OF 2007**

Signed into law on December 20, 2007, the Mortgage Forgiveness Debt Relief Act of 2007 provides that, when lenders forgive some portion of a mortgage debt or agree to a workout, the forgiven amount will not be treated as taxable income.

<b>FEATURE</b>	<b>PROVISION</b>
Is all forgiven mortgage debt non-taxable?	No. Only debt on a principal residence is eligible for the exclusion.
Is there a dollar limit on the amount of mortgage debt that is eligible for the relief?	Yes. No more than \$2 million may be excluded from taxation (\$1 million on a married filing separately tax return). Any amount above those limits will be taxed at ordinary income rates.
Is there an income limit on the borrower?	No. Any borrower, no matter how high or how low his/her income, qualifies for this relief.
If I refinanced, am I eligible for relief?	Refinanced amounts less than or equal to the acquisition indebtedness are eligible for relief.
Is cash-out refinancing qualified?	No, unless the total refinanced debt is less than the acquisition indebtedness limit.
What about any home equity loan/line of credit on the house?	Funds from this type of financing are eligible for the relief only if the funds were applied to structural improvements to the home. Documentation is essential.
What about the mortgage on my rental property?	Rental property, even if it is residential property, is subject to a different set of rules. Some borrowers who own rental properties that are foreclosed or in short sales or workouts may qualify for mortgage cancellation relief under rules enacted in 1993 that apply to investment property.
Will I get a 1099?	Yes. The lender is still required to provide a 1099 to you and to the IRS. The amount reported on the 1099 will not be taxed unless the forgiven amount is ineligible for the exclusion, such as debt on a second home (non-rental), forgiven debt in excess of \$2 million, cash-out refinancing, or if other exceptions apply.
How long is this relief in effect?	The relief applies to mortgage debt forgiven between January 1, 2007 and January 1, 2013.