

orlandosentinel.com/business/os-ask-an-expert-101710-20101016,0,5448504.column

OrlandoSentinel.com

Ask an expert

Forgiven mortgage debt can be excluded from income

Ask an Expert

5:34 PM EDT, October 16, 2010

Q: I executed a deed in lieu of foreclosure this year. I received the original mortgage document filed with the county stamped paid in full. Will I still receive a 1099C for the forgiven debt, even though the note is marked paid in full? If so, will the 1099C be issued after the property is sold and closed, or this year? — **B.H., Altamonte Springs**

advertisement

A: If your debt has been forgiven, you will know when the lender sends you a form 1099C. The Mortgage Forgiveness Debt Relief Act of 2007 allows you to exclude the forgiven debt from your taxable income if it is your principal residence. But there are so many rules and exceptions, you would do well to consult a real estate attorney or tax professional. — **Richard Almeida**

Q: A friend tells me that military veterans draw more Social Security than non-veterans. Is this true and if so how is the amount calculated? — **J.B., Winter Park**

A: Military personnel have been covered under Social Security since 1957. Those serving between 1957 and 1977 earn credits equal to \$300 for each quarter of active-duty pay. Those serving between 1978 and 2001 receive credits equal to an additional \$100 in earnings for each \$300 they receive in active-duty pay not to exceed \$1,200 annually. As a consequence, Social Security benefit amounts are higher among veterans than among non-veterans. These special credits were created because military compensation such as the value of food, shelter and medical care, were not included in average earnings for figuring out Social Security benefits. — **Winston G. Mollena**

Q: I have a company 401(k) and would like to withdraw some money. Since I am less than retirement age what is the penalty for early withdrawal? — **E.M., Sanford**

A: It is a 10 percent tax penalty that is added to your income for tax purposes. Some 401(k)s have loan provisions to avoid the 10-percent penalty. You have to pay the loan back in full before you leave or retire from the company, but interest rates are usually very low. — **Cary Carbonaro**

Have a question? E-mail us at askanexpert@orlandosentinel.com. Include your name (only your initials will be printed), hometown and phone. Questions are answered by Certified Financial Planners from the Central Florida Chapter of the Financial Planning Association. Answers are for educational purposes only. Please

consult your financial professional. Questions and answers may be edited for space considerations.

Copyright © 2010, [Orlando Sentinel](#)