

H&R Block told Edward he would owe tens of thousands of dollars to the IRS. Instead he came to Fedele and Associates and received thousands of dollars back as a refund. Read on to see his story...

Edward [REDACTED]

IL 60 [REDACTED]

Date: 2/9/2012

Loan Number: [REDACTED]

Dear Edward [REDACTED]

As your home loan servicer, we are dedicated to helping you find a solution to avoid foreclosure on your property. We are pleased to inform you that the short sale on your property has been approved for the federal government's Home Affordable Foreclosure Alternatives (HAFA) short sale program.

What This Means to You as the Seller

Bank of America, N.A. and/or its investors and insurers (if applicable) have agreed to accept a short payoff ("Short Sale") for the above-referenced property and loan(s). This short sale approval is exclusive to the offer from the buyer referenced in this letter. Please accept this letter as Bank of America, N.A.'s demand for payment and also as the formal demand statement to be used by the closing agent. Please be aware that no additional statement will be issued.

Bank of America, N.A. and/or its investors and/or insurers will accept less than the amount due on your current mortgage and release you from any further responsibility for your outstanding mortgage balance. Please note if the short sale does not close, then we will pursue all remedies under our note and mortgage.

Detailed below are the conditions of this approval, along with necessary next steps that will need to be completed by the dates and/or timeframes noted. Please read through all the information carefully, and call our Short Sale Team at 1-888-387-0523 if you have any questions.

Conditions of the Short Sale Approval

The conditions of your short sale approval are as follows:

1. The sale and closing must comply with all terms of the Servicer and the Borrower as well as all terms and representations provided herein by the Borrower.
2. Any change to the terms and representations contained in this Request for Approval of Short Sale or the attached sales contract between you and the buyer must be approved by the Servicer in writing. The Servicer is under no obligation to approve such changes.
3. A HUD-1 Settlement Statement, which will be signed by you and the buyer at closing, must be provided to the Servicer not later than one business day before the Closing Date of 3/25/2012.
4. If you are currently in bankruptcy or you file bankruptcy prior to closing, you must obtain any required consent or approval of the Bankruptcy Court.
5. Closing must take place no later than 3/25/2012 or this approval is void. If an extension is requested and/or approved, interest will be charged per day through closing.
6. The approved buyer(s) is/are Francis Gomez-Lira and the sales price for the property is \$ 24,500.00.
7. Another buyer cannot be substituted without the prior written approval of Bank of America, N.A. Furthermore, the buyer may not alter the capacity in which he will take title. For example, a buyer may not enter into a contract to purchase a property and then amend the contract to purchase the property as trustee for a trust or any other legal entity.

As an alternative to foreclosure Edward's bank allowed him to "short sell" his house. He would sell it for less than what he owed to the bank and the bank would forgive the rest of the debt.

IMPORTANT TAX RETURN DOCUMENT ENCLOSED

EDWARD [REDACTED]
[REDACTED] IL 60 [REDACTED]

The IRS sees cancelled debt as income. Edward's cancelled debt came in at around **\$125,000**. H & R Block told Edward that he would have to pay **tens of thousands of dollars** in taxes on his forgiven debt. Edward decided to get a second opinion from **Fedele and Associates**.

CREDITOR'S name, street address, city, state, ZIP code, and telephone no. BANK OF AMERICA, N.A. [REDACTED]		1 Date of identifiable event March 16, 2012	OMB No. 1545-1424	2012 Form 1099-C	Cancellation of Debt
	2 Amount of debt discharged \$ 103,406.02				
	3 Interest if included in box 2 \$ 0.00				
CREDITOR'S federal identification number [REDACTED]	DEBTOR'S identification number [REDACTED]	4 Debt description MORTGAGE LOAN		Copy B For Debtor This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.	
DEBTOR'S name EDWARD [REDACTED]		5 If checked, the debtor was personally liable for repayment of the debt <input checked="" type="checkbox"/>			
Street address (including apt. no.) [REDACTED]					
City, state, and ZIP code [REDACTED] IL 60 [REDACTED]					
Account number (see instructions) [REDACTED]		6 Identifiable event code	7 Fair market value of property \$ 0.00		

Form **1099-C** (keep for your records) Department of the Treasury - Internal Revenue Service

CREDITOR'S name, street address, city, state, ZIP code, and telephone no. BANK OF AMERICA, N.A. [REDACTED]		1 Date of identifiable event March 16, 2012	OMB No. 1545-1424	2012 Form 1099-C	Cancellation of Debt
	2 Amount of debt discharged \$ 21,898.48				
	3 Interest if included in box 2 \$ 0.00				
CREDITOR'S federal identification number [REDACTED]	DEBTOR'S identification number [REDACTED]	4 Debt description MORTGAGE LOAN		Copy B For Debtor This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.	
DEBTOR'S name EDWARD [REDACTED]		5 If checked, the debtor was personally liable for repayment of the debt <input checked="" type="checkbox"/>			
Street address (including apt. no.) [REDACTED]					
City, state, and ZIP code [REDACTED] IL 60 [REDACTED]					
Account number (see instructions) [REDACTED]		6 Identifiable event code	7 Fair market value of property \$ 0.00		

Form **1099-C** (keep for your records) Department of the Treasury - Internal Revenue Service

Luckily for Edward, **Fedele and Associates** knew about The Mortgage Forgiveness Debt Relief Act. Under this IRS rule cancelled mortgage debt like Edward's was exempt from taxation.

The Mortgage Forgiveness Debt Relief Act and Debt Cancellation

If you owe a debt to someone else and they cancel or forgive that debt, the canceled amount may be taxable.

The Mortgage Debt Relief Act of 2007 generally allows taxpayers to exclude income from the discharge of debt on their principal residence. Debt reduced through mortgage restructuring, as well as mortgage debt forgiven in connection with a foreclosure, qualifies for the relief.

This provision applies to debt forgiven in calendar years 2007 through 2013. Up to \$2 million of forgiven debt is eligible for this exclusion (\$1 million if married filing separately). The exclusion does not apply if the discharge is due to services performed for the lender or any other reason not directly related to a decline in the home's value or the taxpayer's financial condition.

More information, including detailed examples can be found in [Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments](#). Also see IRS news release [IR-2008-17](#).

The following are the most commonly asked questions and answers about The Mortgage Forgiveness Debt Relief Act and debt cancellation:

What is Cancellation of Debt?

If you borrow money and the lender later cancels or forgives the debt, you may have to include the cancelled amount in income for tax purposes, depending on the circumstances. When you borrowed the money you were not required to include the loan proceeds in income because you had an obligation to repay the lender. When that obligation is subsequently forgiven, the amount you received as loan proceeds is normally reportable as income because you no longer have an obligation to repay the lender. The lender is usually required to report the amount of the canceled debt to you and the IRS on a Form 1099-C, Cancellation of Debt.

Here's a very simplified example. You borrow \$10,000 and default on the loan after paying back \$2,000. If the lender is unable to collect the remaining debt from you, there is a cancellation of debt of \$8,000, which generally is taxable income to you.

What is the Mortgage Forgiveness Debt Relief Act of 2007?

The Mortgage Forgiveness Debt Relief Act of 2007 was enacted on December 20, 2007 (see News Release IR-2008-17). Generally, the Act allows exclusion of income realized as a result of modification of the terms of the mortgage, or foreclosure on your principal residence.

PRIMARY NAP FIRST TIME HOME BUYER INSTALLMENT AMT:	\$0.00
SECONDARY NAP FIRST TIME HOME BUYER INSTALLMENT AMT:	\$0.00
FIRST TIME HOMEBUYER CREDIT REPAYMENT AMOUNT:	\$0.00
FORM 2555 COMBINED EARNED INCOME AMO	\$0.00
FORM 5405 TOTAL HOMEBUYERS CREDIT RE	\$0.00
SMALL EMPLOYER HEALTH INSURANCE PER	\$0.00
SMALL EMPLOYER HEALTH INSURANCE PER	\$0.00
FORM 2439, 8801, and OTHER CREDIT TOTAL AMT:	\$0.00
TOTAL PAYMENTS:	\$24,670.00
TOTAL PAYMENTS PER COMPUTER:	\$24,670.00

Thanks to Fedele and Associates, instead of having to pay thousands in taxes Edward received a refund.

Refund or Amount Owed

REFUND AMOUNT:	\$-4,686.00
APPLIED TO NEXT YEAR'S ESTIMATED TAX:	\$0.00
ESTIMATED TAX PENALTY:	\$0.00
TAX ON INCOME LESS STATE REFUND PER COMPUTER:	\$0.00
BAL DUE/OVER PYMT USING TP FIG PER COMPUTER:	\$-4,686.00
BAL DUE/OVER PYMT USING COMPUTER FIGURES:	\$-4,686.00
FORM 8888 TOTAL REFUND PER COMPUTER:	\$0.00

Third Party Designee

THIRD PARTY DESIGNEE ID NUMBER:	82878
AUTHORIZATION INDICATOR:	1
THIRD PARTY DESIGNEE NAME:	MICHAEL S FEDELE CPA

Schedule A--Itemized Deductions

MEDICAL/DENTAL

MEDICAL AND DENTAL EXPENSES:	\$7,700.00
AGI PERCENTAGE LIMITATION PER COMPUTER::	\$11,357.00
NET MEDICAL DEDUCTION:	\$0.00
NET MEDICAL DEDUCTION PER COMPUTER:	\$0.00

TAXES PAID

STATE AND LOCAL INCOME TAXES:	\$6,756.00
INCOME TAX OR GENERAL SALES TAX:	Income Taxes
REAL ESTATE TAXES:	\$5,979.00
PERSONAL PROPERTY TAXES:	\$287.00
NEW MOTOR VEHICLE TAXES:	\$0.00
OTHER TAXES AMOUNT:	\$0.00
SCH A TAX DEDUCTIONS:	\$13,022.00
SCH A TAX PER COMPUTER:	\$13,022.00

INTEREST PAID

MORTGAGE INTEREST (FINANCIAL):	\$9,088.00
MORTGAGE INTEREST (INDIVIDUAL):	\$0.00
DEDUCTIBLE POINTS:	\$0.00
QUALIFIED MORTGAGE INSURANCE PREMIUMS:	\$0.00
DEDUCTIBLE INVESTMENT INTEREST:	\$0.00
TOTAL INTEREST DEDUCTION:	\$9,088.00
TOTAL INTEREST DEDUCTION PER COMPUTER:	\$9,088.00

CHARITABLE CONTRIBUTIONS

CASH CONTRIBUTIONS:	\$5,768.00
OTHER THAN CASH: Form 8283:	\$465.00
CARRYOVER FROM PRIOR YEAR:	\$0.00
SCH A TOTAL CONTRIBUTIONS:	\$6,233.00