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# Client Bulletin



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## “Short Sales” Made Easier and Quicker

On August 21, 2012, the Federal Housing Finance Agency (“FHFA”), along with Fannie Mae and Freddie Mac, which it regulates, announced new guidelines, to be effective November 1, 2012, as to “short sales” (which is when the homeowner/borrower’s proposed sales price is less than the amount the homeowner/borrower owes on the first mortgage). Among the changes under the new guidelines:

- Homeowners/borrowers who have missed mortgage payments and have serious financial problems will not be required to submit as many documents
- Homeowners/borrowers will be eligible for a short sale even if they have not missed a mortgage payment
- Lenders will be permitted to go ahead with approval of a short sale without having obtained Freddie Mac or Fannie Mae approval if the homeowner/borrower is experiencing financial hardship resulting from circumstances such as job loss, job relocation of more than fifty (50) miles, divorce/dissolution of marriage, or death in the family
- Holders of home equity loans/mortgages and other second mortgages will now get a maximum payment of up to \$6,000 and cannot block a short sale by demanding more than \$6,000 in order to release the second mortgage.

## Ohio Supreme Court Holds that Political Subdivisions are Immune from Liability for Failure to Upgrade a Storm Sewer System

In a slip opinion (which is subject to revision for typographical or other formal errors before the opinion is published) decided August 29, 2012, the Ohio Supreme Court, with a 6-1 vote, held that a county engineer’s failure to upgrade the capacity of an inadequate storm sewer system that caused flooding of a homeowner’s property was a governmental function, rather than a proprietary function under R.C. Chapter 2744, Ohio’s Political Subdivision Tort Liability Act, and, therefore, the county engineer was immune from suit. The Court found that upgrading a storm sewer system is “construction and design” rather than maintenance or upkeep. The Political Subdivision Tort Liability Act expressly provides that “the provision or nonprovision, planning or design, construction, or reconstruction” of a sewer system is a governmental function making those activities immune, while the Act expressly provides that the “maintenance, destruction, operation and upkeep of a sewer system” is a proprietary function for which there may be civil liability of the political subdivision.

*Continued . . .*

## Flexible Spending Account (FSA) Limits

The \$2,500 limit on contributions to medical FSAs under the health care act takes effect January 1, 2013. For FSA plans with a July 1-June 30 plan year, the new \$2,500 limit is effective July 1, 2013.

The annual limit for a childcare FSA remains at \$5,000.

## Health Savings Account (HSA) Limits for 2013

In 2013, the annual limit on tax deductible contributions into an HSA increases to \$3,250 for individual coverage and \$6,450 for family coverage, with those 55 years old and older permitted to contribute an extra \$1,000.

## For Year-End Tax Planning, Keep the 3.8% Medicare Surtax in Mind

Planning around the new 3.8% Medicare surtax in IRC 1411 that will take effect in 2013 will require taking into account what may happen in this year's elections.

However, as it stands now, it is worth consulting with your tax and financial advisor on:

Selling appreciated assets in 2012, as opposed to 2013.

For stocks, whether waiting until year-end maybe too late if you think the markets will be too uncertain post-election and what will or will not happen with Bush-era tax cuts.

IRC 1411 focuses on "net investment income", that is: (1) "gross income from interest, dividends, annuities, royalties, and rents, other than such income which is derived in the ordinary course of a trade or business"; and (2) "net gain".

For individuals, the amount subject to the tax is the lesser of: (1) net investment income; or (2) the excess of a taxpayer's modified adjusted gross income over an applicable threshold amount.

Those threshold amounts are:

Married Taxpayers, Filing Jointly	\$250,000
Married Taxpayers, Filing Separately	\$125,000
All other individual taxpayers	\$200,000

## Notice

This bulletin provides general information and is not legal advice. Please contact us if you need legal advice.

If you have friends or associates who you think would enjoy receiving a copy of this Client Bulletin, please feel free to forward it on. Thank you.

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