

by Ilyce_Glink

Q: I had a federal tax lien filed against me. When this happened, my credit score plummeted to 500. Now that I've satisfied the lien, will my credit score go back up to where it was before the lien was filed? A: The good news is, eventually your credit score will go up. The bad news is, it will take some time. Most negative information stays on your credit history for seven years, although a bankruptcy stays on for 10 years. But while the information is there, it will affect your score less and less as the years go by. What can you do to help? Pay all of your bills on time and in full. Don't carry credit card debt, and if you do, be sure not to carry a debt that's more than 30 percent of your maximum available credit. Don't open up too many new lines of credit and don't close old lines of credit you've had for years; those give your score a boost in the right direction. For more details on raising your credit score, check out www.myfico.com.

Q: My husband passed away last year and he left me the property that we lived in together. Unfortunately, my mother-in-law is on the deed. Can she transfer her half of the property to anybody she wants without my consent? She's never lived in this property, nor invested anything in it. My husband made a will before he died and intended me to have the property. But we weren't married when he bought it, so he put his mother on the deed with him. The court has transferred all of the assets in the estate, but my mother-in-law is still on the deed. A: My condolences on the loss of your husband. Your husband's will apparently stipulated that you would receive everything he owns. But in this case, it sounds as though he only owned half of the house in which you live. Since your mother-in-law owns the other half, she may be able to sell her half to someone without your consent. It depends in part on how title is held to the property. But why let it get to that? If you want to stay in the house, call your mother-in-law and work something out with her, maybe even make an offer to purchase her share of the property. A good estate attorney can help you with other options that may be available.

Q: I'm married with two children and my mother wants to give me a rental property valued at \$58,000. How much will it cost me or her tax-wise if she gives me the property now vs. if I inherit it after she dies? She would like for me to have it now as a source of income. The unit is paid off and rents for approximately \$550 a month. A: Your mother can give any individual up to \$12,000 per year tax free. If she gives you a gift worth more than \$12,000, she must file a gift tax return with the IRS, and that amount is subtracted from the \$1 million she can give away tax-free in her lifetime. If she wants to avoid using up her \$1 million in tax-free gifts, she can give the property to you and your spouse and your children just about all at once (\$48,000 worth this year), or she can gift you pieces of the property over several years. There are various ways you can structure the holding of the property, and you'd be wise to talk to an estate attorney about the best way to have you or your mother hold title to the property. Some of the issues you face are probate matters and the income tax consequences of having your mother give you the property now. If you get the property now, you'll get it at your mother's basis; the value for income tax purposes to you would be what it is to your mother. If you wait to inherit the property, you'll inherit it at the fair market value at the time of your mother's death. To put it in perspective, if your mother sold the property today and her "basis" for income tax purposes was almost nothing, she would have to pay tax on almost the entire amount of the sales price. If you were to inherit the property and immediately sell it, neither your mother's estate nor you would pay any federal income taxes. These are some of the things to keep in mind before transferring this property to you as a gift. To avoid probate issues, your mother could put the property in a trust, and name you the beneficiary of the trust at the time of her death. That way, you would get the property automatically at the time of her death and avoid having to go to court to have title to the building transferred into your name. Please talk to an estate or real estate attorney for details and other options. © 2007 Real Estate Matters - a Tribune Media Services, Inc.