

Tax benefits to homeowners

Last Updated Thursday, 04 September 2008

What tax benefits are there to [Profile.market] area homeowners?

Homeowners benefit from several generous tax advantages. The most important benefit is the mortgage interest deduction. People may deduct interest paid on mortgage loans totaling up to \$1 million used to buy, build or improve a principal residence plus a second home. The IRS calls such loans acquisition debt.

Points paid by the buyer or seller on a new mortgage loan for the purchase or improvement of a principal residence are deductible for the year in which the home was purchased.

Any points paid on a refinance mortgage, a loan to purchase a second home or a mortgage on income property must be spread over the life of the loan, according to Edith Lank and Miriam S. Geisman, authors of "Your Home as a Tax Shelter," Dearborn Financial Publishing, Chicago; 1993.

Note that when obtaining a new mortgage, the borrower usually is asked to pay interest from the closing date until the first of the next month. Check whether that charge is included in the year-end report.

Property taxes on all real estate, including those levied by state and local governments and school districts, are fully deductible against current income, say Lank and Geisman.

"A homeowner cannot deduct maintenance expenses, nor can he take depreciation deductions on his personal residence," states the "Realty Bluebook," 30th Ed., Dearborn Financial Publishing, Chicago; 1993.

Some moving expenses are deductible for people who changed jobs and relocated as a result. The IRS requires that the new employment be located at least 50 miles away, among other considerations, said Analisa Collins-Sears, a public affairs officer with the IRS' Bay Area office.

Resources: * "Tax Information for First-Time Homeowners," a free guide published by the Internal Revenue Service. Order by calling 1-800-TAX-FORM.

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