



TAX TIPS FOR HOMEOWNERS

Below are several common real estate tax tips that may be helpful to you. For more information about these tax breaks and to determine which ones you qualify for, please consult with your tax advisor or join us at our Tax Seminar on February 4th.

- **Mortgage interest.** For most people, the biggest tax break from owning a home comes from deducting mortgage interest. Your lender will send you Form 1098 in January listing the mortgage interest you paid during the previous year. That is the amount you deduct on Schedule A tax form. Be sure the 1098 includes any interest you paid from the date you closed on the home to the end of that month. This amount is listed on your settlement sheet for the home purchase. You can deduct it even if the lender does not include it on the Form 1098.
- **Loan Points.** When you buy a house, you may have had to pay "points" to the lender to obtain your mortgage or buy down your rate. This charge is usually expressed as a percentage of the loan amount. And, believe it or not, you may get to deduct the points even if the seller paid them for you as part of the transaction. The deductible amount should also be shown on your 1098 form.
- **Real-estate property taxes.** You can also deduct the local property taxes you pay each year. In the year you purchase your residence, you likely reimbursed the seller for real estate taxes he or she had prepaid for time you actually owned the home. If so, that amount will be shown on your settlement sheet. Include this amount in your real-estate tax deduction. Note that you can't deduct payments into your escrow account as real estate taxes. Your deposits in the escrow account are simply money put aside to cover future tax payments. You can deduct only the actual real estate tax payments made from the account by your lender. Homeowners who take the standard deduction instead of itemizing can deduct part of their property taxes. Joint filers can add in up to \$1,000 of property taxes paid to the amounts shown above. Single filers can add in up to \$500 of real estate tax payments.
- **Private mortgage insurance premiums.** For mortgage loans with a down payment of less than 20% of the home's value, usually include a premium for private mortgage insurance (PMI), an extra fee that protects the lender if the borrower fails to repay the loan. PMI premiums can be deducted by home buyers. This write-off phases out as income increases above \$50,000 on married filing separate returns and above \$100,000 on all other returns.
- **Credit for first-time home buyers FEDERAL CREDIT:** If you purchased a primary residence in 2009, and are a "first-time" home buyer, you may qualify for the \$8000 federal housing tax credit. To be eligible, you must not have owned a residence in the U.S. in the previous three years. The income limits for sales occurring on or after January 1, 2009 and on or before November 6, 2009, are \$75,000 for single taxpayers and \$150,000 for married taxpayers filing joint returns. For sales occurring after November 6, 2009, the income limits are \$125,000 for single taxpayers and \$225,000 for married couples filing joint returns. There is also a \$6500 tax credit for qualified move-up home buyers ("long-time resident" who have owned and resided in the same home for at least five consecutive years of the eight years prior) who purchased after November 6, 2009 and before June 30, 2010. For more info visit: www.federalhousingtaxcredit.com

D.C. CREDIT: First-time buyers of property in D.C. get a federal tax credit of up to \$5,000. This tax break phases out as income rises between \$70,000 and \$90,000 on single returns and between \$110,000 and \$130,000 on joint returns. D.C. residents must choose between this credit and the new federal first time homebuyer credit discussed above; they can't claim both.

- **Home improvements.** Save receipts and records for all improvements you make to your home, such as landscaping, storm windows, fences, a new energy-efficient furnace and any additions. When you sell your home, the cost of the improvements is added to the purchase price of your home to determine the cost basis in your home for tax purposes.
- **Energy credits.** Some energy-saving home improvements to your principal residence can earn you an additional tax break in the form of an energy tax credit. To learn more visit: www.energytaxincentives.org/
- **Tax-free profit on sale.** Another major benefit of owning a home is that the tax law allows you to shelter a large amount of profit from being taxed if certain conditions are met. If you are single and lived in the house for at least two of the five years before the sale, then up to \$250,000 of profit is tax free. If you're married and file a joint return, up to \$500,000 of the profit is tax free if you lived in the house as a primary home for two of the five years before the sale.