TAX TIPS FOR HOMEOWNERS

Below are several common real estate tax tips that may be helpful to you. For more information about these tax incentives and to determine which ones you may qualify for, please consult with your tax advisor or join us at our Tax Seminar on February 8th.

- **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 the 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.

- **Mortgage 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 deal. 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 Hud-1 settlement sheet. Include this amount in your real-estate tax deduction. You can't deduct payments into your escrow account as real-estate taxes, as these deposits 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.

- **Private mortgage insurance premiums.** For mortgage loans with a down payment of less than 20% of a home's cost 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.

- **DC tax credit for first-time home buyers.**
  First-time buyers of property in Washington, DC get a federal tax credit of up to $5,000. This tax incentive phases out as income rises between $70,000 and $90,000 on single returns and between $110,000 and $130,000 on joint returns.

- **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.

Our business is based on your referrals. We thank you in advance for contacting us when you hear of someone who plans to buy or sell real estate.