



Quick Tips

Chris Hutchens
Certified Mortgage Planner
Alpha Mortgage
Phone: (910) 256-8999
Fax: (910) 795-4267
chris.hutchens@alphamortgage.com
www.CHutchens.com



Six Tax Breaks Every Homeowner Should Know

Benjamin Franklin once said, "In this world nothing can be said to be certain, except death and taxes." More than 200 years later, this certainly holds true. And while being a homeowner won't add years to your life, the modern tax code has a number of benefits certain to make your tax bill lower. The following are a few ways your CPA or Tax Preparer can help you save:

Take an interest in your mortgage interest – Statistics show that only about half of homeowners claim this valuable deduction. Make sure you're one of them. On average, qualified American homeowners save about \$2,000 per return by deducting mortgage interest. And when added up over the life of the loan, this can make a big difference in your retirement savings. This is a huge break that renters don't get! So take advantage of it.



Don't forget about the points – Points paid to refinance your home are also fully deductible throughout the life of the loan. For example, let's say in February of this year you refinanced your home for a new 20-year loan (or 240 months) and you paid \$3,000 in points. By the end of this year, you can write off \$125.00 for those 10 months (March through December). Beginning next year, of course, and each year thereafter, you can write off the full \$150.00 until the points have been fully deducted. It's important to note that buyers can also deduct mortgage points that are paid by the seller, as long as the cost basis of the property is reduced by the amount of the seller-paid points.

Old points are as good as new – Unamortized points from old refinancing are deductible in the year of a new refinance. Using the above example, let's say rates dropped again and you refinanced again in February of the next year and paid \$2,400 in points. The remaining balance of the points on the old loan, \$2,875, is fully deductible – plus the money you could deduct for any qualifying mortgage payments made toward the new points.

Sell Your House – While points are not deductible for sellers, you can exclude as much as \$250,000 in gain (\$500,000 on a joint return) when you sell your primary home (your principal residence for two of the last five years). If you don't qualify for the two-year rule, you can get a partial exclusion if the sale of your home is the result of either qualifying changes of employment, health reasons, or other unforeseen circumstances.

Casualty deductions – Floods, forest fires, hurricanes, earthquakes and other natural disasters can be devastating, especially to homeowners. Ask your CPA how you can take deductions on casualty losses, even if you collected insurance. In addition, if the President declares your area a disaster area, you have even more options.

New \$7,500 tax credit for first-timers – The government has created a temporary monetary incentive, a tax credit for first-time home buyers (that's anyone who hasn't owned a home in the last three years), as a tool to stimulate the housing market. The tax credit (not a tax deduction) will be 10% of the purchase price of a home, up to a maximum of \$7,500. In other words, the government is providing first-time home buyers an interest-free loan to help them buy a home!

There are, of course, income limits to qualify for this incentive, and other important details, but give us a call, and we'll see if you can take advantage of a tax gift that even Ben Franklin could appreciate.

Remember, this, or any article you might read on your own, should never serve as tax advice. Always consult with a qualified CPA or Tax Preparer before making any tax decisions. If you need a referral, give us a call, and we'll be glad to give you the names of the reliable professionals we work with on a regular basis.

