

FREE REPORT: *Three Key Ways to Save on YOUR Tax Return!*

When it comes to constants in life – it's been said that there are two you can count on: Death and Taxes! When it comes to keeping more of every dollar you make in today's economy, you may have something else you can count on: Big Savings from the IRS!

Let's take a look at three key ways home ownership can help you save on your income taxes!

1. Mortgage interest. This is the one of the most important advantages to home ownership! Generally, if you itemize deductions on Schedule A of your federal income tax return, you can deduct the qualified residence interest that you pay on certain home mortgages taken on your principal residence. In the very early years of a loan, this savings is significant, as most of your monthly payment is interest, rather than principal. Consider as well, if you are in a 28% federal tax bracket, this can have the effect of lowering your borrowing costs by almost a third, depending on which state you live in.

For example: Jill is single, with no children and rents an apartment for \$1200 per month. In this scenario, on her federal return she can only take her standard deduction. Now, if Jill was a homeowner, with a monthly mortgage payment of \$1200, her tax liability would be lowered and she would receive a form 1098 from her mortgage company detailing how much of her annual mortgage payments went towards interest. Let's say she paid \$11,400 in interest, and also paid \$1500 in real estate taxes. That would mean she would get her mortgage interest and real estate taxes deducted!

In addition, there is a "Home Equity Loan" exception that allows home owners to tap into their home equity and gives them the ability to do what is called "debt-shifting." Take that same scenario and let's just say Jill from above was also sitting on \$10,000 in credit card debt. If she was renting she would not have any tax advantages to paying off that debt. However, if Jill was a homeowner and had taken out a home equity loan to pay off that debt, she would have the ability to write off all of the interest from her home equity loan! As with so many things in life though – there is a catch! The loan must be secured with your house as collateral – so failure to make payments could wind up in foreclosure.



Henry Ramirez

Business 214-213-7050

henryramirez@judgefite.com
www.henryramirez.com



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- 2. Points and closing costs.** When you take out a mortgage loan to purchase a home, you'll more than likely be charged closing costs which include points, attorney fees, recording, title, appraisal and processing fees. "Points" are costs charged by your lender. One point equals one percent of the borrowed loan amount. The IRS says that, in most cases, loan discount points and origination fees are tax deductible to the buyer, regardless of who pays them. Look at lines 801 and 802 of your settlement statement. While many "closing costs" are not deductible, these points generally are. See IRS Publication 936 at www.irs.gov to learn more.
- 3. Taxes.** In addition to mortgage interest and points charged at closing, you can generally deduct the real estate taxes that you've paid on your property in the year they are paid.

BONUS! Write off moving costs! The government may allow you to write off some of your moving costs when you buy a new home if it's at least 50 miles closer to your job than your old home. To qualify, you must continue to work full-time in the area of your job for 39 weeks during the following year. If you are self-employed and work from your home, any move of 50 miles or more will qualify. However, you must work full-time near the location for 78 weeks during the next 24 months. Tax law varies based on income for this one, so be sure to check with your tax consultant.

Earlier we mentioned that there were only two constants in life: Death and Taxes. There is of course one more, and that is change. Our tax laws are always going to be in a state of change. That's just the nature of the beast! As a real estate professional, I always advise my clients to seek the wise advice of a certified tax professional. I'm fortunate to have a number of trusted resources that I can recommend that you can turn to for all of your tax questions!

Please give me a call today to obtain your list of resources and find out a little more about how home ownership can help you save big on your bottom line!

For more information on market trends, mortgage rates, investments or real estate needs, please feel free to contact me!



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