



# Tax Advantages *of Homeownership*

## Eight tax advantages of homeownership

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- 1 Write off mortgage interest**
- 2 Pay no income taxes on most home sales**
- 3 Home improvements for health reasons are partially deductible**
- 4 Write off interest on home equity loans**
- 5 Home office deduction for qualified owners**
- 6 Moving costs deductible**
- 7 Deduct land lease payments**
- 8 Write off property taxes**



### DON'T MISS THESE WRITE OFFS!

As tax time approaches once again, this year you can thank your lucky stars that you have one of the greatest tax deductions of all time—your residence. Homeownership is the ultimate tax shelter. The Internal Revenue Service looks fondly on homeownership and provides a number of tax benefits for owners, but to take advantage of them you first must be familiar with allowable deductions.

The biggest deduction is the interest paid on home mortgage. For example, with a \$1200/month mortgage payment of which 80% goes towards interest, you can deduct, depending on your tax bracket, up to \$11,500 a year. Not bad considering you're also building equity in your home. Property taxes are also deductible, as well as certain loan origination fees or points.

### LESSER KNOWN DEDUCTIONS

If you have to make permanent improvements to your home because of a medical condition (prescribed in writing by your doctor), such as installing air-conditioning, a swimming pool or handicap ramps, those expenses may be partially deductible. Don't forget moving costs. If you move more than 50 miles away, you can deduct the cost of moving yourself, household goods and vehicles to your new location. Even the land your home is on could be deductible. IRS Section 163 allows lease payments for land under a home to be deducted. The ground lease must be for at least 15 years including renewal periods, be freely assignable, and contain a future option for you to buy the leased land. Certain expenses associated with building and working from a home office can also qualify you for a tax break, but guidelines are strict. You must use the area designated as an office exclusively for business—dining room tables do not apply! Individuals who work at home are also entitled to deduct a portion of their home expenses, such as utilities, insurance and security system.

# Tax Preparation Checklist

Use this checklist to help you gather your important tax information.

## PERSONAL DATA

- Social Security Numbers (including spouse and children)
- Child care provider: Name, address and tax I.D. or Social Security Number
- Alimony paid: Social Security Number

## EMPLOYMENT & INCOME DATA

- W-2 forms for this year
- Unemployment compensation: Forms 1099-G
- Miscellaneous income including rent: Forms 1099-MISC
- Partnership, S Corporation, and trust income: Schedules K-1
- Pensions and annuities: Forms 1099-R
- Social Security/RR1 benefits: Forms RRB-1099
- Alimony received
- Jury duty pay
- Gambling and lottery winnings
- Prizes and awards
- Scholarships and fellowships
- State and local income tax refunds: Form 1099-G

## HOMEOWNER/RENTER DATA

- Residential address(es) for this year
- Mortgage interest: Form 1098
- Sale of your home or other real estate: Form 1099-S
- Second mortgage interest paid
- Real estate taxes paid
- Moving expenses

## FINANCIAL ASSETS

- Interest income statements: Form 1099-INT & 1099-OID
- Dividend income statements: Form 1099-DIV
- Proceeds from broker transactions: Form 1099-B
- Retirement plan distribution: Form 1099-R

## FINANCIAL LIABILITIES

- Auto loans and leases (account numbers and car value) if vehicle used for business
- Student loan interest paid
- Early withdrawal penalties on CDs and other time deposits

## AUTOMOBILES

- Personal property tax information

## EXPENSES

- Gifts to charity (qualified written statement from charity for any single donations of \$250 or more)
- Unreimbursed expenses related to volunteer work
- Unreimbursed expenses related to your job (travel expenses, uniforms, union dues, subscriptions)
- Investment expenses
- Job-hunting expenses
- Job-related education expenses
- Child care expenses
- Medical Savings Accounts
- Adoption expenses
- Alimony paid
- Tax return preparation expenses and fees

## SELF-EMPLOYMENT DATA

- Business income: Forms 1099-MISC and/or own records
- Partnership SE income: Schedules K-1
- Business-related expenses: Receipts, other documents and own records
- Farm-related expenses: Receipts, other documents and own records
- Employment taxes and other business taxes paid for current year: Payment records

## MISCELLANEOUS TAX DOCUMENTS

- Federal, state and local estimated income tax paid for current year: Estimated tax vouchers, cancelled checks and other payment records
- IRA, Keogh and other retirement plan contributions: If self-employed, identify as for self or employees
- Records to document medical expenses
- Records to document casualty or theft losses
- Records for any other expenditures that may be deductible
- Records for any other revenue or sales of property that may be taxable or reportable