



05/30/2007

Make Use of Your Most Valuable Tax Shelter – Your Home!

If you are a homeowner you are well aware of the great benefits that come from owning your own space. You've got a place to call your own, you have the freedom to use your place the way you want to, and you even earn 'free money' in equity as your home's value appreciates. And yet there are other great benefits that many homeowners do not take full advantage of. These are, of course, the incredible tax advantages associated with home owning and mortgage loans.

For the past half century or more, the U.S. government has taken a real interest in encouraging more Americans to become homeowners. Their most effective strategy has been to offer tax deductions on all sorts of related home-owning costs. For example, for decades, the government has allowed homeowners to fully deduct all the interest payments made on a mortgage loan from their yearly taxes. (However, if your mortgage is more than \$1 million and you are married and filing jointly, you will not be able to deduct all of the interest. If you are filing separately, you can fully deduct your mortgage interest on a home loan up to \$500,000.) This great tax break can save you thousands of dollars each year!

The government gives you a break when it comes to mortgage points. One point is equal to one percent of the loan total and they are charged by mortgage lenders in exchange for a lower interest rate. You may have been required to pay points at the close of your home loan, or you may simply chosen to pay some points in order to get a nice, low rate. Either way you can fully deduct the amount you paid in points from your tax returns in the year you paid them. This will be a huge one-time savings as a couple of mortgage points can amount to several thousand dollars.

Property taxes are another home owning cost that is cancelled out by government tax benefits. The IRS allows you to fully deduct these taxes from your income. Here comes another couple hundred or thousand dollars in savings! Just remember that if you receive a city or state property tax refund, you cannot deduct that portion from your federal taxes.

If you have taken out a home equity loan, you deduct the interest paid on that sum up to \$100,000 for people filing jointly or \$50,000 for those filing separately. You will also enjoy great tax shelters if you need to take out a loan exclusively for home improvements. You can deduct all the interest you pay on such a loan and there is no dollar limit on how much that deduction can be. If you use part of your home for business purposes, you will also be able to deduct a portion of your homeowners insurance and repair costs from your income taxes.

While there are still other tax benefits you may qualify for as a homeowner, you should also know that if you buy a home during 2007 you will be able to fully deduct your private insurance payments. There are income restrictions though, so you should consult with a tax professional to see if you would be eligible for this one-time deduction.

So even though home owning comes with many associated fees and expenses, you can find comfort in the fact that many of your costs can be balanced out by the great deductions you'll be able to claim at tax time!