

HOMEOWNERSHIP HAS ITS BENEFITS DURING TAX SEASON

By Trinity Bradley-Anderson, CPA
Stockman, Kast Ryan + Co.

Homeownership has many benefits; several of which can be taken advantage of during tax season. We hope that you and your clients find the following tax considerations for homeowners useful and beneficial.

Tax Considerations for Homeowners

- **Mortgage Interest.** Mortgage interest up to \$1 million of acquisition debt secured by your principal home and/or second residence is fully deductible (An RV or a boat with that has sleeping, cooking and toilet facilities can be considered a “home” under these rules). You may also deduct mortgage interest on home equity debt up to \$100,000.
- **Real Estate Taxes.** Real estate taxes and state and local property taxes are deductible.
- **Escrow Accounts.** Some house payments include an amount placed in escrow for real estate taxes. Homeowners can deduct the real estate taxes that the lender actually paid from escrow to the taxing authority. Please note that this number may be different than then total amount placed in escrow. The homeowners’ real estate tax bill will show the accurate amount to deduct.
- **Non-Deductible Items.** Although many sections of a homeowners’ house payment are deductible, there are several items that are not deductible, including fire or homeowners’ insurance premiums, Federal Housing Authority or other mortgage insurance premiums and the amount applied to the principle of the mortgage.
- **Buying/Selling Fees.** Points paid to secure a loan for the purchase of improvement of a principal residence are usually fully deductible in the year you pay them. Points paid to refinance an existing mortgage must be deducted over the life of the loan. Some fees associated with the loan are not considered interest and can’t be deducted, including appraisal fees, notary fees, preparation costs for the mortgage note or deed of trust, mortgage insurance premiums and VA funding fees.
- **Gain on Sale of Principal Residence.** Up to \$250,000 of gain (\$500,000 for joint filers meeting certain conditions) can be excluded from the sale of a home used by the taxpayer as a principal residence for at least two of the five years before the sale.

Homeowners should contact their tax professional for more information or to find

out if they qualify for these deductions. The Internal Revenue Service website is also a great resource for homeowner tax information, www.irs.gov.

Stockman Kast Ryan + Co., is Southern Colorado's largest locally owned certified public accounting firm providing a variety of in-depth business services including – tax services for individuals, businesses, fiduciaries and not-for-profit organizations, audit and accounting services, outsourced accounting and bookkeeping services – customized to clients' needs, estate planning, small/emerging business advisory services, contract chief financial officer services, business valuations, litigation support services and information systems consulting. For more information about Stockman Kast Ryan + Co., visit www.skrco.com.