RUOFF HOME MORTGAGE
NMLS: 141868

TAX BENEFITS

Do you love paying taxes? *(We didn't think so!)*

1. Introduction

"The difference between death and taxes is death doesn't get worse every time Congress meets" – Will Rogers.

HOME SWEET HOME. Do you know what makes a home even sweeter? Tax deductions. Your home is your castle and it's also a source of tax deductions!

Did you know that your new home purchase might open up a world of tax breaks? When you're a homeowner, there are several tax deductions available, some of which can put a lot of money back in your pocket! Yet, every year, Americans let these tax savings slip through their fingers.

Learn how you can keep Uncle Sam from taking some of your hard earned money.

2. Mortgage Interest Deduction

Interest is the amount you pay to borrow money. A home mortgage interest deduction allows taxpayers who own their homes (and itemize their taxes) to reduce their taxable income by the amount of interest paid on the loan. **Only a handful of states have tax breaks for renting!**

This deduction is usually the **biggest tax break you'll receive as a home owner.** In most cases, you can deduct all of your home mortgage interest. How much can you deduct? That depends on several factors such as date of your mortgage, amount and how you use it.

Does it have a toilet? The mortgage interest deduction applies to anything that meets the definition of a basic living space that you own. Condominiums, mobile homes, and even boats are included, if they meet the living space definition with at least one sleeping area, a kitchen, and a toilet.

Learn more about the 2017 deduction at: https://www.irs.gov/publications/p936/ar02.html

3. Mortgage Interest Credit

According to IRS.gov the mortgage interest credit helps lower-income individuals afford home ownership. The **Mortgage Credit Certificate program** is designed to help first-time homebuyers offset part of their mortgage interest on a new home loan as a way to help you qualify for a loan.

BONUS! Because it is a tax credit and not a tax deduction, mortgage lenders will often use the estimated amount of the credit as additional income to help the borrowers like you qualify for a loan.

Homebuyers who want to receive this credit will need to meet these guidelines:

- You must not have owned a home in the past 3 years
- You must meet income and purchase price restrictions
- You must use your new home as a primary residence

Find out if you qualify: https://www.irs.gov/pub/irs-pdf/f8396.pdf

If you have any unused credit to carry forward to 2018, keep a copy of this form to figure your credit for 2018.

4. Mortgage Points Deduction

You may have the option to buy down your interest rate. Mortgage points (also known as discount points) are optional fees paid directly to the lender to buy a reduced interest rate. Any points that you choose to pay at the closing of your home loan are deductible! Usually, the deductions must be amortized (gradually written off) over the life of the mortgage. There are circumstances where you may be able to deduct the entire amount of your points paid in the year of purchase.

Find out if you qualify: https://www.irs.gov/taxtopics/tc504.html

5. Property Tax Deduction

Your local government will determine what your annual property tax will be based on the value of your home, outbuildings and land. They use the money collected from these taxes (also known as real estate taxes) to **help provide community resources** such as police and fire departments, maintaining streets and funding local schools. Believe it or not, there's an upside to paying property taxes, besides helping your community!

You can earn a tax deduction for paying property taxes if:

- You bought your home for personal use
- It's your main home or vacation home
- You itemize your taxes

Learn more at: *https://www.irs.gov/publications/p530/ar02.html*
Prepaid property taxes may be deductible in 2018, if assessed and paid in 2017.

TIP: When you purchase a new home, be sure to review and save your Closing Disclosure. This form provides valuable information such as total amount borrowed, interest rate, terms and payment information you can use when filing taxes such as:

- Principal & Interest
- Mortgage Insurance
- Estimated Escrow
- Points

6. Tax-Free IRA Withdrawals

Need money for a down payment? The IRS says you can pull funds from your IRA to help.

If you're a first-time homebuyer, you can dip into your IRA to use towards a down payment on a home without having to pay the normal penalty for early withdrawal. This also applies if you owned a home in the past, but not within the past two years. You can take up to $10,000 from your IRA without penalty to buy a home, although you'll still need to pay taxes on the money.

(Note: your 401k plan does not qualify for the exception to the penalty.)

7. Home Equity Loan & Home Improvement Deductions

What if you want to take out home equity loans to consolidate debts, make improvements to your home, or purchase a second home? Yes, you can pick up a tax break here too! **Did you know that the interest on most home equity loans is tax deductible when filing your 2017 taxes?**

- The deduction applies to interest from your loan for a first or second home
- If you are consolidating your debts, you can deduct the interest on the first $100,000
- You may also be able to deduct interest if your loan was for home improvements
- Home improvements made for medical purposes may be tax deductible, even when you don't take out a loan to accomplish the project
- **Starting in 2018 this deduction will be limited to home improvement loans.**

Have you made several improvements to your home?
Consider refinancing with Ruoff to save more money, or even get cash out for the equity you've gained.

8. Write Off Moving Expenses

If you meet the IRS distance and time tests after you relocate for a new job in 2017, you can **take a moving-expense deduction.** Qualified expenses include the cost of moving your belongings, traveling to your new home, and the standard rate per mile. *https://www.irs.gov/pub/irs-pdf/p521.pdf*

9. Home Energy Tax Credits

Unfortunately, most Energy Star federal tax credits expired at the end of 2016. Don't worry! From now through 2021 you can still earn **tax credits for adding solar energy systems** in new and existing homes.

Get more details at:
https://www.energystar.gov/about/federal_tax_credits

10. Tax-Free Profit When Selling Your Home

So you found a home you love and reaped many of the tax breaks above? Congratulations, but the good news doesn't end there! Another awesome benefit of owning a home is that the tax laws let you protect a large amount of your future profit when you decide to sell your home. We're talking $250,000 to $500,000 in profit can be tax free depending on your circumstances!

For more info : https://www.irs.gov/taxtopics/tc701

11. Home Office Deduction

If you're self-employed or freelance and work from home, listen up! The home office deduction could save you money on your taxes. The IRS lets you write off part of your household expenses such as water, internet, phone and electricity needed for you to do business from home.

Click here for boat loads of information about home office deductions:
https://www.irs.gov/businesses/small-businesses-self-employed/home-office-deduction

12. Deductions for Renting

Looking for tax benefits you may be eligible for because you rent an apartment or house? **Unfortunately for tenants, landlords reap most of the benefits of rental property tax deductions.** Renters can NOT deduct rent payments from your federal tax return. Some states offer tax breaks for renters, but most renting related deductions are for landlords.

If you decide to purchase an investment property to rent out, check out:
https://www.irs.gov/forms-pubs/about-publication-527

Want to see a list of 2018 tax changes?

Check out *TurboTax*