



Buying a home is when you begin building equity in an investment instead of paying rent. And Uncle Sam is there to help ease the pain of high mortgage payments. The tax deductions now available to you as a homeowner will reduce your tax bill substantially.

TAX INFORMATION

MORTGAGE INTEREST

For most people, the biggest tax break from owning a home comes from deducting mortgage interest. For tax year prior to 2018, you can deduct interest on up to \$1 million of debt used to acquire or improve your home.

REAL ESTATE TAXES

You can deduct the local property taxes you pay each year, too. The amount may be shown on a form you receive from your lender, if you pay your taxes through an escrow account. If you pay them directly to the municipality, though, check your records or your checkbook registry. In the year you purchased your residence, you probably reimbursed the seller for real estate taxes he or she had prepaid for time you actually owned the home.

HOME IMPROVEMENTS

Save receipts and records for all improvements you make to your home, such as landscaping, storm windows, fences, a new energy-efficient furnace and any additions. You can't deduct these expenses now, but when you sell your home the cost of the improvements is added to the purchase price of your home to determine the cost basis in your home for tax purposes. Although most home-sale profit is now tax-free, it's possible for the IRS to demand part of your profit when you sell. Keeping track of your basis will help limit the potential tax bill.

ENERGY CREDITS

Some energy-saving home improvements to your principal residence can earn you an additional tax break in the form of an energy tax credit worth up to \$500. A tax credit is more valuable than a tax deduction because a credit reduces your tax bill dollar-for-dollar. You can get a credit for up to 10% of the cost of qualifying energy-efficient skylights, outside doors and windows, insulation systems, and roofs, as well as qualifying central air conditioners, heat pumps, furnaces, water heaters, and water boilers.