**Campaign Topic- First Time Homebuyer, Tax Breaks.**

As a first-time homebuyer, you may not be aware of the existence of certain tax breaks. No matter who you are, it’s a good idea to be knowledgeable about tax breaks available to you at any given time. Especially, when you’re about to make a life changing purchase, such as buying a home for the very first time.

**Be mindful that incentives and tax breaks are susceptible to change and vary depending on the year and law reforms.** If you’re unsure about tax breaks you may be eligible for, it’s always a good idea to consult a professional. Taxes and potential breaks will vary significantly based on personal factors. Criteria and potential benefits will vary based on the year, therefore even if you choose to forgo professional help, doing some independent research will be in your best benefit.

**To begin, let’s start with property taxes.** All homeowners will be required to pay certain property taxes. The specific numerical values will vary depending on your home, and consequently so will your potential for tax breaks. Remember to also include any taxes you may have reimbursed the seller for, as these can benefit you as it pertains to your own return.

**During tax season, your mortgage can prove beneficial.** Tax season can turn your mortgage payment into a lucrative return. The mortgage on your primary residence will potentially qualify you for breaks. If you choose to purchase additional property down the road, that property’s mortgage can also qualify for a sizeable return. While the stipulations are relatively few, there are potential caveats or exceptions, however, these realistically do not affect the majority of taxpayers.

**The points deduction may be beneficial for certain homeowners.** If you’re not familiar with the “points” system, here is what it entails. The “Points” system is a fee that is charged by mortgage lenders. Contingent on the loan principal, one point is equal to 1%. Most home loans have between one and three points. If you have a mortgage, you can fully deduct the value of points from your tax. The caveat to points deduction is that it can only be done over the full term of the loan, and not all at one time. If at any point you choose to refinance your mortgage, you can then remove the balance from the old loan and begin with the new points that apply to your refinanced loan.

**As of 2018, you should be aware of the $10,000 annual cap on property deductions.** The TCJA (Tax Cuts & Jobs Act) has made it so that there is now a $10,000 annual cap on how much you can deduct from a property, state and local taxes. Prior to 2018, there wasn’t a cap, furthermore this cap will affect property tax deductions until 2025. You are only allotted a $10,000 deduction from the aforementioned taxes. If your lender required that you set up some form of escrow or impound account, you will not be able to deduct the money held for property taxes, until that money is used or paid back to your lender. Any city or state refund on a property tax will be deducted from the possible Federal reduction.

**Do you use a part of your home to run a business?** If you answered “yes” to the aforementioned question, then you may be able to deduct a portion of your business’ costs, for example insurance or repair costs, as part of your insurance. To be fair, this is a highly nuanced and complex subject. It’s best to consult with a tax advisor to verify that you’re eligible. The stipulations of this tax cut are rigid and specific.

**Tax cuts and breaks will vary depending on outside factors.** While two people, or families, may apply and qualify for the same break, there are different factors that will make a difference in how lucrative the break is. For example, your marital status, your standard deduction amount, your taxable income, and other relevant information will impact what you’re eligible for.

**While certain tax breaks can be awarded for homeowners, be mindful that the following do not qualify for any sort of deduction:** Dues that are related to a homeowner’s association are not eligible for breaks. Neither are insurance fees on your home, appraisal fees for your home, or the cost of improvements, even if they are major undertakings.

**If you’re curious about knowing more, the best course of action is to talk to a professional.** While a healthy amount of research can provide you with context and break opportunities, if you’re still wondering about potential cuts, it may be in your best interest to speak with a tax advisor. Tax advisors are often able to find loopholes or rare exceptions that are not common knowledge for taxpayers. For first time homebuyers especially, talking to an advisor will help you in your future filings, as opportunities are subject to appear on a case by case basis.

<https://turbotax.intuit.com/tax-tips/home-ownership/home-ownership-tax-deductions/L7nXpU8Xz>

<https://americantaxservice.org/homeowner-tax-breaks-and-deductions/>

<https://www.bankrate.com/finance/taxes/home-sweet-homeowner-tax-breaks-1.aspx>

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