

Real Estate Intelligence

Keeping you up to date with useful real estate news and intelligence

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Justin Bevins

Eight Great Tax Breaks You Don't Want to Miss!

For those who have recently bought or sold a home, there are a number of tax deductions that may be available to them.

1. Selling Price

Real estate broker's commissions, title insurance, legal fees, advertising costs, administrative costs and inspection fees are selling costs and can reduce taxable capital gain by the amount of the selling costs. That could result in a big savings depending on the final sale price.

2. Mortgage Interest

Within limits, mortgage interest is also tax deductible. A married couple filing jointly can deduct interest payments on a maximum of \$1 million in mortgage debt secured by a first or second home. Buyers may also be able to deduct some of the interest they paid on a home equity loan or similar line of credit.

3. Origination Fees

Something many buyers often overlook is points. Points or origination fees on a home loan paid during purchase are generally tax-deductible in full for the year in which they were paid. Refinanced mortgage points are also deductible, but only over the life of the loan, not all at once. Homeowners who refinance can immediately write off the balance of the old points and begin to amortize the new.

4. Private Mortgage Insurance

If your lender required private mortgage insurance, the PMI premiums are tax-deductible for mortgages taken out from 2007 through 2011. Take Advantage!

5. Home Improvements

Improvements made to a property prior to the sale or once one moves in might qualify for an interest deduction on your home-improvement loan. Qualifying capital improvements are those that increase your home's value, prolong its life, or adapt it to new uses, such as adding a porch or installing energy-efficient windows.

6. Real Estate Taxes

Many times during a sale, the seller will send the local tax collector's office a check for real estate taxes prior to the closing. In many circumstances, however, the buyer will pay a pro-rated portion of the taxes for the year at closing. This tax deduction also gets overlooked.

7. Home Office Expenses

For new buyers who work at home: If a room is used exclusively for business purposes, they may be able to deduct home costs related to that portion, such as a percentage of your insurance and repair costs, and depreciation.

8. Relocation Costs

In some instances, if you have moved because of a new job, moving costs may be deducted. These can include travel or transportation costs, expenses for lodging, and fees for storing your household goods. Every year the tax laws change and certain tax deductions become available while others phase out. If you have recently bought or sold a home, it's a good idea to seek out a professional tax consultant to do your taxes. Missing deductions that you can legally claim can add up.

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