



# Homeowners

## New Purchase or Re-finance

**Tax Route**  
A DIVISION OF HOFFLER-SMITH, INC.

## Tax Guide Series

There's nothing quite like purchasing your first home. You're on your own. You have a substantial financial investment.

And you now have some different tax considerations.

The big-three home-related deductions are **mortgage interest, points** connected with the loan, and **property taxes**. To claim these, you'll have to itemize.

The 1098 form you'll get from your lender, will list any points you paid for your mortgage. A point is 1 percent of your loan amount. The IRS allows you to deduct points when you purchase the home.

Not everybody should consider itemizing. If you settle later in the year, you'll have very few deductions for mortgage interest and taxes, so it might be better to use the standard deduction amount.

**Interest on a home equity line or loan is deductible.** It doesn't matter if you used the money to buy furniture for your new house, upgraded the kitchen in your fixer-upper or purchased a car. As long as the loan is secured by your residence, its interest is deductible.

If you make any improvements to your home to alleviate a medical condition, such as the installation of a ramp or central air conditioning to alleviate allergies or asthma, these also might help boost your itemized deduction amount.



### Tax Credits for Energy Efficiency

Tax credits are available for many types of home improvements including adding insulation, replacement windows, and certain high efficiency heating and cooling equipment.

The maximum amount of homeowner credit for all improvements combined is \$500 during the two year period of the tax credit.

This tax credit applies to improvements made to your primary residence from January 1, 2006 through December 31, 2007.

### Items you can NOT claim:

- Appraisal charges
- Title insurance
- Credit report fees
- State and local "recordation" transfer taxes
- Private mortgage insurance that your lender requires
- Home appliances \* (i.e. washer, dryer, refrigerator)
- Carpet replacement
- Floor Replacement
- Heater replacement \*
- Painting of inside or outside
- Landscaping

*\* Ask about tax credits for appliances or renovations for medical purposes or for energy efficiency purposes.*