

& TAX BENEFITS OF HOME OWNERSHIP

Mortgage Interest deduction. You can deduct the interest you pay on up to \$750,000 of mortgage debt (\$375,000 if married filing separately).

- The mortgage must be secured by your home.
- The proceeds must be used to build, buy, or substantially improve your primary residence or second home.

Home Equity Loan Interest deduction. You can deduct the interest you pay on home equity loans if you use the borrowed funds to pay for a home improvement.

Real Estate Tax deduction. You can deduct real estate taxes in addition to either state and local income taxes or state sales taxes up to \$10,000.

There is a \$10,000 limit that applies on either real estate taxes plus state and local income taxes or real estate taxes and state sales taxes.

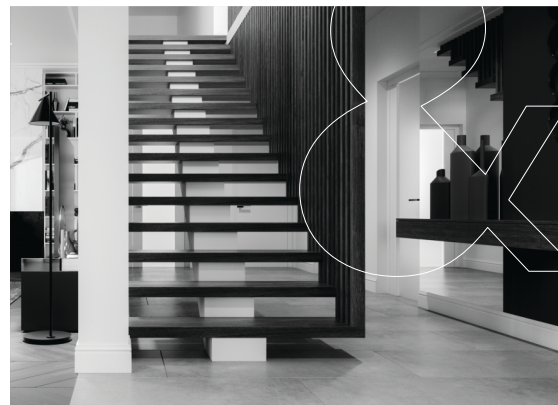
Discount Points and Private Mortgage Insurance deduction. You can deduct the following discount points or mortgage insurance related to the debt securing your primary or secondary home:

- Discount points purchased to reduce your mortgage's interest rate.
- Private mortgage insurance.
- VA loan funding fee.
- USDA loan guarantee fee.
- FHA loan up-front mortgage insurance premiums.

If your income is too high, you cannot claim this deduction.

Home Improvements added to the basis of your home. You can add any costs to improve your home to the basis of your home. Improvements added to the basis will reduce the amount of gain you will realize when you sell your home.

Unlike repairs, improvements are generally defined as work done that adds value to your home, increases its useful life, or adapts it to new uses improvement.



Gain on Sale of your Home exclusion. You can sell your primary residence for a profit – called a capital gain – calculated as the difference between the sales price and the cost of your home when you purchased it plus the cost of home improvements during ownership. You may qualify to exclude income from the sale of your primary residence if you meet the ownership and use tests. If you owned your home for at least two years (ownership test) and used your home as your primary residence for two of the last five years (use test) you can keep the profits of the capital gain without any tax obligation* up to limited amounts. A married couple filing jointly can exclude from income up to \$500,000 in capital gains and a single filer (or married couple filing separately) can exclude from income up to \$250,000 in capital gains related to the sale of their eligible primary residence.

**Please talk to your trusted tax professional or CPA to learn more about the home ownership deductions and capital gain exclusions on sale.*

Additional Considerations for Homeowners:

- Monthly payments of principal are building your wealth, not the wealth of someone else.
- Monthly payments are locked in and do not increase year over year.
- There is flexibility in utilizing and customizing your space.
- There is the option to rent out your home to generate additional income every month.

