**Tax Facts When You Buy a Home**

Are you planning to buy a home sometime soon? A total of 63.7% of American families own their primary residence, according to United States Census Bureau [statistics](https://www.federalreserve.gov/pubs/bulletin/2014/pdf/scf14.pdf), and home ownership is a long-standing part of the American Dream. Whether you’re still shopping or have already set up housekeeping, it’s a good idea to be aware of some of the tax implications of ownership. The \_\_\_\_\_\_\_\_\_\_ Society of CPAs provides a rundown of tax facts you need to know.

**Fact: There’s a Mortgage Interest Deduction**

Your monthly mortgage bill will include both principal and interest payments. An individual or married couple filing jointly is generally eligible to deduct all interest payments on home acquisition debt up to $1 million (up to $500,000 for a married couple filing separately). Because of the way mortgages are designed, your initial payments are made up mostly of interest, so the deduction is at its highest in the early years of your loan, which is a nice break for new homeowners. Interest on home equity debt of up to $100,000 ($50,000 for a married couple filing separately) is [deductible](https://www.irs.gov/publications/p936/ar02.html), as well. You can also deduct the cost of points you pay for a mortgage. In many cases, if you use your loan to buy or build your main home and the points paid were not more than the points generally charged in your area, you can fully deduct the points in the year you paid them. Turn to your CPA with any questions about your eligibility for the mortgage interest deduction or about what it can mean for your finances.

**Fact: Property Taxes Are Deductible, Too**

New homeownership typically means paying real estate taxes, but the good news is that you can generally deduct those taxes, which will reduce their impact on your bottom line. [Homeowners’ association fees paid on your personal residence are not deductible,](https://ttlc.intuit.com/questions/1900477-are-homeowners-association-fees-tax-deductible) but if you have a home office you may be able to deduct a portion of those HOA fees as an expense related to that office.

**Fact: You Should Know the Tax Rules on the Sale of a Home**

If you sell your home for more than your adjusted basis in the property, you generally qualify to exclude up to $250,000 of that gain from your income ($500,000 for a married couple filing jointly) if you’ve owned and used the home as your main home for at least two of the last five years prior to its date of sale. (There are special exemptions that may apply to those in the military who are on “qualified official extended duty.”) If you don’t meet those requirements, you may still qualify for a partial exclusion of gain if you experience any of a variety of unforeseen circumstances, including death, divorce, job loss or employment changes that render you unable to pay basic living expenses for the household, home damage or condemnation, or a pregnancy with multiple births. Talk to your CPA about any issues you’re facing related to taxes on a home sale.

**Fact: You’ll Have to Make Decisions about Itemizing**

All taxpayers must determine whether it’s best to take the standard deduction or itemize their deductions on their tax returns, based on which option will give them the best tax break. Before their big purchase, new homeowners may have taken the standard deduction, which is $6,300 for individuals and $12,600 for married couples filing jointly. Once you buy your home, however, it may be time to itemize your deductions because your annual mortgage interest payments could be higher than your standard deduction. Your CPA can offer advice if you’re not sure which choice is best for you.

**Fact: Your CPA Can Help**

If you’ve recently bought a home or are about to do so, congratulations! This is an exciting time. Since homeownership is a step that will have a significant impact on your finances, this is a good time to reach out to your local CPA. He or she can offer valuable advice to help you address all your financial concerns. Visit [360finlit.org](http://www.360financialliteracy.org/) for more tips this tax season.