Top 10 House-related Tax Breaks

You may be somewhat aware that your home is a good source of tax breaks, but maybe you don't realize just how many there are. Just in time for tax season, we'll give you the lowdown on 10 great tax breaks.

April 15 is almost here, and many people will be scouring their lives for any potential tax breaks. You may not have to look far if you are a homeowner. A recent Realty Times article discusses the top 10 tax breaks you can get from your home.

1. **Mortgage Loan Interest.** This is one of the best tax breaks your home has to offer. In the early years of a loan, interest payments constitute a large portion of your mortgage payments. Mortgage interest on a maximum of $1 million in mortgage debt secured by a first and second home is tax-deductible. This level applies to joint filers; if you file single or separately, you get half of the deduction. Home equity loan interest is also deductible, but is limited to a much smaller amount.
2. **Points.** You can fully deduct points associated with a home purchase mortgage. You can also deduct refinanced mortgage points, but only when they are amortized over the life of the loan. If you refinance a second time, the balance of the old loan's points from a refinanced loan provides an immediate write-off, as you begin to amortize the new points.
3. **Home Improvement Loan Interest.** Interest on a home improvement loan is also deductible, but is calculated differently from interest on your mortgage. You can deduct all of the interest on a home improvement loan if the work is a capital improvement (improvement that adds value to your home, adapts it to new uses, or prolongs its life) rather than repairs, maintenance or cosmetic. You can only get tax benefits from repair work when you sell your home, unless you get a home equity loan to make the repairs.
4. **Property Taxes.** Any property or real estate taxes are fully deductible. If you receive a city or state property tax refund, your federal property tax deduction will be reduced by the same amount.
5. **Capital Gains Exclusion.** Provisions in the Taxpayer Relief Act of 1997 allow married taxpayers who file jointly to retain up to $500,000 of profit on the sale of a home used as a principal residence for two of the prior five years tax-free. Again, the amount is halved for taxpayers who file separately or as a single. This tax break can be used as often as you qualify.
6. **Selling Costs and Capital Improvements.** When you sell your home, your taxable capital gains can be reduced by the amount of your selling costs, including title insurance, real estate commissions and legal, advertising and inspection fees. Decorating or repair costs, such as painting, planting landscaping or cleaning carpets, are also considered selling costs if they are incurred within 90 days of the sale and with the intention of making the home more sellable.
7. **Moving Costs.** If you have to move for a job, your moving costs may be at least partially deductible. You must, however, move within one year of starting your new job, move 50 miles farther from your old home than your old job was, and work full-time at the new job for 39 of 52 weeks following the move. Deductible costs include storing your household goods and travel and transportation costs.
8. **Energy Tax Credits.** Although not available this year, the Energy Policy Act of 2005 introduced tax credits for upgrading features of your home to energy-efficient models or materials. Up to $500 in 2006 and 2007 is available if you upgrade your heating and air conditioning, caulk leaks, add insulation, install energy-efficient windows or other improvements that combat energy waste. Certain qualified solar energy and fuel cell systems can earn you tax credits of up to $2,000. You can also earn a tax credit for purchasing a hybrid or other energy-efficient vehicle. Keep in mind, however, that some states offer rebates or tax credits that can reduce the federal credit.
9. **Home Office Deductions.** If you have a home office that is used exclusively for business, you could deduct a portion of the costs related to that portion of your home, including a percentage of your insurance and utility costs, among other things.
10. **Mortgage Tax Credit.** Qualifying low-income, first-time homebuyers can take advantage of Mortgage Credit Certificates (MCCs) that allow them a credit of up to 20 percent of the mortgage interest payments made on their home. The credit is available each year you live in the home purchased with the certificate, with the same loan. Instead of reducing your income, this credit is subtracted from the amount of income tax you owe.