

THE TAX ADVANTAGES OF HOME OWNERSHIP

If you own your own home, there are some significant tax advantages that can make the prospect more affordable. The Texas Society of CPAs explains all the details.

FIRST-TIME HOMEBUYER CREDIT

In order for homebuyers to claim the credit, they must be a member of the Armed Forces, the Foreign Services of the intelligence community who have served on official extended duty service outside of the United States for at least 90 days. The first-time homebuyer credit is a one-time refundable credit. For 2011, the following rules apply:

- The credit is the lesser of \$8,000 or 10% of the purchase price of the home and applies to homes purchased between Jan.1 2011 and April 30, 2011.
- Available for principal residences located in the U.S.
- The credit is phased out for higher income taxpayers (see below)
- An individual must be at least age 18 and cannot be claimed as a dependent.
- Homes purchased from a related party do not qualify

QUALIFYING INCOME LEVELS INCREASED

The income limits to qualify for the credit have also been raised. The credit is open to those with modified adjusted gross income under \$125,000, or under \$225,000 for those who are married filing jointly. It phases out for those with incomes between \$125,000 and \$145,000 (or between \$225,000 and \$245,000 for joint filers).

EXISTING DEDUCTIONS REMAIN IN FORCE

In addition to this credit, there are many existing tax deductions associated with home ownership. As a general rule, you can deduct the interest you pay on a mortgage that is below \$1 million, as well as any property taxes you pay. In addition, you can typically deduct the interest on home-equity loans that amount to less than \$100,000.

AFFORDABILITY IS KEY

Of course, all the tax advantages in the world are not going to help if you aren't financially prepared to purchase a home. Before you sign a contract, carefully assess your financial situation to ensure that your income will cover the costs of home ownership, including not only the monthly mortgage, property taxes and insurance payments, but also the maintenance and repair expenses you will face. Don't allow a tax break or any other incentive to tempt you into buying a home you can't really afford.

CONSULT YOUR CPA

Is home ownership right for you? Do you qualify for the federal tax credit? Your local CPA can help you find the answers. Turn to him or her with any financial questions facing your family.