

Tax Deductible Homeownership Expenses

As the year comes to a close, we all know that tax season is right around the corner. One of the benefits of homeownership is the ability to deduct certain expenses from your income taxes, thereby reducing the amount of taxes that you may owe. Learn about tax deductible homeownership expenses and other important information by reading below.

Tax Deductible Home Ownership Expenses

Several different home ownership expenses are tax deductible. The most common ones are:

- Mortgage Interest Payments
- Property Taxes
- Points Paid at Closing
- PMI (if you meet additional criteria)

Keep in mind that only **mortgage interest** is listed above. Your monthly mortgage payment includes principal, interest, and probably also taxes and insurance. Only the interest portion of your payment is tax deductible. Property taxes are deductible, but only the amounts actually paid to your municipality. The amount in your mortgage payment goes into an escrow account until the property tax bills are due. Therefore, the tax deductible amount does not necessarily equal the amount that you pay each month.

After the end of the year, you should receive a statement from your mortgage company that details the amounts paid for interest, taxes, and PMI. If you closed on a home in 2016, you may also need your closing statement which details any taxes, interest, and points that you paid at closing.

Itemized Deductions for Home Expenses

On your taxes, you will have the option of taking the standard deduction or itemizing your deductions. You would only itemize if

your total deductions exceed the standard deduction offered. To figure this out, you must sum up qualified home-related expenses along with other potential itemized deductions. If the total expenses are too low and you elect the standard deduction, then you are technically not gaining any tax benefits from homeownership.

Most homeowners are able to gain some tax benefit from tax deductible home ownership expenses. However, if you're one of the few who is not able to do so, don't fret. You will still gain equity over time and enjoy the pride of home ownership.