

Money Management

Money Management is a weekly column on personal finance prepared and distributed by certified public accountants.

FOR IMMEDIATE RELEASE: February 1, 2010

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. As a result of the uncertain economy, the federal government has also recently extended a popular tax credit through June of this year and broadened the number of people who qualify. The New Hampshire Society of CPAs explains all the details.

A BREAK FOR FIRST-TIME BUYERS AND MORE

The Obama administration late last year extended an \$8,000 tax credit available to all first-time homebuyers or anyone who hasn't owned a home in the last three years. Originally scheduled to expire on November 30, the credit is now still accessible to homebuyers who sign a contract by April 30, 2010, and close by June 30, 2010. CPAs note that the tax break has been broadened to additionally include anyone who has owned their current home for five consecutive years out of the last eight and is now buying a new one. These taxpayers can take a \$6,500 credit on a new home, if they sign a contract by May 1,

-more-

2010, and close by June 30, 2010. The credit reduces the first-time homebuyer's tax bill by the credit amount. For example, if you owed \$20,000 in taxes, you would only have to pay \$12,000 after taking the credit. You receive the credit even if you don't owe any taxes or if your tax bill is less than the credit amount. The credit is available for the purchase of a principal residence costing \$800,000 or less if purchased after November 6, 2009. Homebuyers must be 18 or older when they make the purchase.

QUALIFYING INCOME LEVELS INCREASED

The income limits to qualify for the credit have also been raised. For homes purchased after November 6, 2009, 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 income limits continue to apply to home purchases on or before November 6, 2009.

EXISTING DEDUCTIONS REMAIN IN FORCE

In addition to this temporary 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.

Produced in cooperation with the AICPA