

Tax Benefits of Home Ownership

The tax deductions you're eligible to take for mortgage interest and property taxes greatly increase the financial benefits of home ownership. Here's how it works.

Assume:

\$9,877 = Mortgage interest paid (a loan of \$150,000 for 30 years, at 7 percent, using year-five interest)

\$2,700 = Property taxes (at 1.5 percent on \$180,000 assessed value)

\$12,577 = **Total deduction**

Then, multiply your total deduction by your tax rate.

For example, at a 28 percent tax rate: $12,577 \times 0.28 = \$3,521.56$

\$3,521.56 = **Amount you have lowered your federal income tax (at 28 percent tax rate)**

Note: Mortgage interest may not be deductible on loans over \$1.1 million. In addition, deductions are decreased when total income reaches a certain level.