

Tax benefits of home ownership

1. The tax deductions you can 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

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

$(12,577 \times .28 = \$3,521.56)$

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