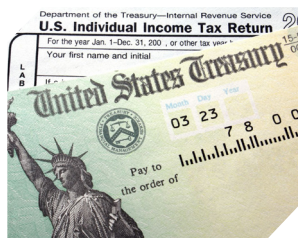


7 little known ways for homeowners to save on their taxes

Buying a home is a big investment, but it means some serious benefits at tax time. Many homeowners are unaware of all the savings their homes can bring when it comes time to settle up with Uncle Sam.

Staying up to date with the tax code can be tricky. Some tax credits that were popular for buyers, such as the first-time homebuyer's tax credit, are now expired. Other credits, though, are likely to be around for a long time. Take a look at these six ways to save on your tax bill. You may be surprised at how much you can deduct.



Mortgage interest

Mortgage interest is a common deduction for homeowners, though there are some limitations.

But you can deduct a significant portion of your mortgage interest if you file Form 1040 and itemize your deductions. The IRS has specific standards on the amount you may deduct, depending on what year you took out your mortgage.



Profits from a home sale

If you upgraded to a larger home this year and made money on the sale, you may be able to avoid paying taxes on some of the profits.

To make this deduction, you need to have owned the property for two years and lived in the property for two of the last five years prior to filing. Single filers can deduct up to \$250,000 of profit, and people filing jointly can deduct up to \$500,000.

Home improvement loan interest deduction

The interest on home equity loans used for “capital improvements” to a home can also be a tax deduction.

On loans with balances of up to \$100,000, the interest is tax-deductible for a homeowner who uses the loan to make improvements to the home such as adding square footage, upgrading the components of the home, or repairing damage from a natural disaster. Maintenance items like changing the carpet and painting a home are usually not included as capital improvement projects.

Energy upgrades

In an effort to reduce pollution caused by homes' energy consumption, the federal government passed a number of tax credits intended to incentivize buyers to purchase energy-efficient upgrades.

Not all appliances and upgrades are included, but many are. Solar-powered hot water heaters, weatherproofed windows and most energy-efficient appliances can be deducted, as well as electric cars. The [IRS guidelines](#) can help you determine whether the upgrades to your home qualify for a tax write-off.

Property tax deductions

Most homeowners are unaware that the property taxes they pay to their city or town are deductible from a federal income tax payment.

You'll only be able to deduct the actual amount paid to your local municipality, but as Realtor.com points out, this deduction effectively means [property taxes are paid with tax-free dollars](#).

Home office deduction

If you work from home most of the time, you may be able to deduct your home office.

Many people believe the home office deduction is a pathway to getting audited, but if done correctly, it [doesn't increase your likelihood of a second look](#). Your office must exclusively be used for business purposes, and it must be your principal place of business. Consult with a tax professional to make sure you're deducting your home office properly.

Charitable donations

Your generosity to nonprofit organizations could also be a great source for tax breaks.

Your donations must be made to a qualified tax-exempt 501(c)3 organization & consist of cash or property. Deductible donations include those made to churches & other religious organizations in addition to other traditional non-profits like GoodWill or The Red Cross. You will however be required to provide documentation to prove your charitable giving.

Although a home warranty is not tax deductible investing in a home warranty may save you hundreds, and possibly thousands, of dollars. For more information go to:

<http://bit.ly/Home-Warranty>

▷ Maintaining your home is costly

Maintaining your home is costly, so it's important to let it pay you back from time to time. If you aren't paying attention to these key tax deductions for homeowners, it could mean you're overpaying when you write that check to Uncle Sam.

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