

Tax Benefits of Homeownership

Homeownership has many important benefits for millions of Americans across the country — including creating a sense of community, building wealth and providing financial security.

Homeowners should be aware of recent changes to the tax code that went into effect in 2018 with The Tax Cuts and Jobs Act, which passed in December 2017. Despite the changes, it is important to remember that homeowners can still take advantage of many tax incentives.

Mortgage Interest Deduction

Homeowners who itemize their federal income tax deductions can deduct 100 percent of their mortgage interest payments on a first and second home for up to a maximum mortgage amount of \$750,000 for loan balances taken after Dec. 16, 2017. The limit remains \$1 million for mortgages that were established prior to this date, as well as for homeowners who were under contract before Dec. 15, 2017, subject to certain rules.

The Mortgage Interest Statement Form 1098, which homeowners receive from their lenders, shows the total amount of home mortgage interest paid during the year.

Homeowners can also take a deduction on a home equity loan or home equity line of credit if the loan is used for substantial home improvements, such as remodeling.

Home owners can review the [Internal Revenue Service Publication 936](#), which helps explain the rules for deducting home mortgage interest.

Mortgage Insurance Deduction

Mortgage insurance premiums offer another potential deduction for homeowners. Generally, people who purchase a home without putting 20 percent down must buy mortgage insurance, and those premiums can also be deducted from taxable income.



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Real Estate Tax Deduction

Homeowners can deduct up to \$10,000 of state and local taxes, including property taxes and the choice of income or sales taxes.

Capital Gains Exclusion

When it is time to sell a home, in many cases homeowners do not have to pay capital gains tax on the profit from the sale. Under present law, married couples who have owned and occupied their principal residence for at least two of the past five years do not have to pay any taxes on the first \$500,000 in profits from the sale of their home. Single filers earn up to \$250,000 tax free.

It is important to keep in mind that the tax law did create important changes that could impact individuals and small businesses. You should always consult a qualified professional adviser for questions about filing your tax returns.

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