**Part 2: Tax Benefits of Owning a Home**

This is Part 2 of a series on tax benefits associated with current home ownership. Part 1 of the series dealt with tax deductions in the year you actually purchased your home. This article is at:

<https://www.linkedin.com/pulse/tax-benefits-home-ownership-part-1-scott-estill>

Please note that these rules apply to a personal residence and do not apply to second homes, vacation homes, rental properties or any other property not used as a primary residence. I will be covering these homes in subsequent parts to this series.

Here are some of the tax deductions you may be able to claim on your income tax return to reduce the amount of taxes you may owe to the IRS or your state revenue department:

* Mortgage interest paid on the initial loan.
* Interest paid on a home equity line of credit.
* Mortgage insurance premiums.
* Points paid to refinance a loan. These are claimed over the life of the loan so that you can claim only a portion of the points in any given year (such as 1/15 or 1/30 of the points for a fifteen year or thirty year mortgage).
* Points paid on prior refinance. If you have previously refinanced your initial mortgage and are paying points on that loan (over the term of the loan), you are permitted to deduct all remaining points in the year you do the second refinance.
* Real estate and state/local property taxes.
* Home office. There are numerous tax deductions available when you operate a business with a home office, including claiming a portion of the utilities, repairs, maintenance, insurance, depreciation (and many others too numerous to list).
* Health-related improvements. Any home improvements for medical purposes can be deducted entirely from your taxes as long as the improvements do not add to the overall value of the home and have been made for a chronically ill or disabled person.

The following home-ownership expenses are NOT currently tax deductible:

* Homeowner/hazard insurance premiums.
* The amounts applied to reduce the principal of the mortgage.
* Home Owners Association (HOA) fees.
* Utilities.
* Home improvements.
* Depreciation of your personal residence.
* Payments into an escrow account. You can deduct only the amounts actually paid for real estate taxes. Other payments made into an escrow account may not be currently deductible (such as homeowner’s insurance payments included in the account).

IRS Publication 936 explains many of these concepts in more detail. This can be found at [www.irs.gov](http://www.irs.gov).