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Tax Benefits of Homeownership

The tax deductions you're eligible to take for mortgage interest and property taxes greatly increase the financial benefits of homeownership. 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.