

Tax Deductions = Big Savings

It's tax time again, with all the dread or joy (depending on your situation) that brings. But if you sold your home recently or will sell it soon, there are big savings to be had with tax deductions for buyers and sellers.

Realtor.com recently sat down with tax experts for an overview of the main deductions summarized in this article. Be sure to consult with your local tax professionals and take advantage of these deductions when you sit down to do your taxes.

SELLING COSTS

If you've lived in your home for at least two of the previous five years before the sale and the home is your principal residence — not an investment property — you can deduct any costs directly associated with selling the home. These include legal fees, escrow fees, advertising and commissions.

IMPROVEMENTS AND REPAIRS

Renovations, upgrades



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REAL ESTATE 101

Coronavirus Upgrades for Sellers

Attracting buyers to a previously owned home, even in a hot market, can be tricky during the pandemic. Making improvements, such as deep cleaning or painting, can improve your chances of a sale. For more ideas, visit Realtor.com at bit.ly/3rnv0vp.

and repairs are all deductible. Any improvements or repairs you make in order to sell your home can be deducted as selling costs long as they are made within 90 days of closing, say tax experts.

MORTGAGE INTEREST

Interest on your mortgage is also deductible, at least for the period of the you owned the home. Under the 2018 Tax Cut and Jobs Act, new buyers and sellers are permitted to

deduct up to \$750,000 of your mortgage debt. And homeowners who purchased their home prior to Dec. 15, 2017 can continue deducting up to the original amount up to \$1 million. Rules on these

deductions are more complicated, so check with your tax professional for details.

PROPERTY TAXES

Property tax deductions are capped at \$10,000, according to tax experts, but must be fully paid up until the home is sold.

CAPITAL GAINS

Capital gains are profits from the sale of the home, so they are technically an exclusion not a deduction. After paying your expenses and outstanding mortgage debt, the cash left is taxed as income. But you can exclude up to \$250,000 of the capital gains from the sale if you are single, \$500,000 if you are married. Again, you need to have lived in the home for the past two of five years.

Once significant bonus is that these gains are based on what's known as cost basis, which is whatever amount you purchased the home for plus any amount you spent on improvements, for example. A \$300,000 home with \$50,000 in improvements could be sold without paying any capital gains taxes.

Remember, tax laws and rules change fairly frequently as news administrations do away with previous rules, so it's always a good idea to review all these possibilities with your local tax consultant.



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HOMEWISER GLOSSARY

Dual agent: An agent who represents both the seller and the buyer in a real estate transaction. SOURCE: MLS.com

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