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Division of Glacier Bank

Tax Advice for First-time Homeowners

Congrats on buying your first home! Considering today's real estate race, it's likely you've jumped through many hoops to get those front-door keys. Crossing this ceremonial threshold is a big leap, but before you lay out the living room, add new paint or start landscaping, get prepared for April 15. Tax deadline time may bring about feelings of overwhelm or dread, but your new investment brings with it some beneficial tax perks.

Tax deductions offer big savings, especially for first-time homebuyers. After signing all that paperwork and writing large-sum checks, saving money equals big relief. Benefits include deductions on mortgage interest, mortgage points, property taxes and mortgage insurance payments. You may also deduct home office square footage, energy-efficient home upgrades, and other various other itemizations.

Tax Deductions for First-Time Homeowners

Preparing for tax time can be, er, taxing without proper prep. Ben Pack, Altabank Mortgage Division President, has spent his career working with homebuyers and offers his thoughts. "It's a really exciting time. Homeownership tends to be the first major financial investment for people," he says. "To reap the most financial rewards of first-time homeownership, record all documentation of these seven items for tax time."

Real Estate Taxes

"Have a copy of your Closing Disclosure or Settlement Statement," Pack suggests. The Closing Disclosure or Settlement Statement is the five-page form identifying the final loan terms, a breakdown of the projected monthly mortgage payment, closing costs, loan costs, loan disclosures, and loan calculations. "Many of these costs, like the real estate taxes or points, can be deducted, but they're easy to forget when you file because they are not present on the year-end mortgage interest statement you get in the mail."

Mortgage Interest

"You should receive a Form 1098 from your mortgage servicer showing how much interest was paid," Pack says. "Keep this on-hand for taxes, too." Lenders use this Mortgage Interest Statement to report the amounts paid by a borrower over \$600 or more in interest, mortgage insurance premiums or mortgage points. This is reportable as a mortgage interest deduction.

Mortgage Points

“If you paid points for your rate, be sure to tell your tax professional,” Pack says. A mortgage point equals one percent of your total loan amount. Take a \$100,000 loan, for example. One point would be \$1,000. Mortgage points represent a form of prepaid interest you can choose to pay upfront, in exchange for a lower interest rate and monthly payments (also known as “buying down” your interest rate) and may be deductible as home mortgage interest.

Property Taxes

“Include a copy of your property tax statement when you meet with a tax professional,” Pack adds. “Only homeowners can benefit from the property tax deduction.” You may deduct up to \$10,000 as a single-filer or \$5,000 if married filing jointly for either state and local income taxes or sales taxes.

Installed Energy-Efficient Equipment

“Consider installing energy-efficient equipment to any home improvement projects you plan on doing. “When you make these upgrades, keep all documentation of energy-efficient equipment and installation costs,” Pack says. “Not only will you decrease that carbon footprint, but you may also be able to qualify for a tax credit.” These credits can equal 22% of the cost through 2022 or 22% of the cost for 2023, after which it expires.

Medical-Purpose Renovations

“Any renovations for medical purposes may qualify as a tax-deductible expense so have this documentation prepared,” Pack suggests. Deductible renovations could include construction of entrance or exit ramps, widening hallways or doorways, installing handrails or grab bars, lowering cabinets, or modifying stairs, door hardware or electrical outlet locale.

The Best Tax Tip for First-Time Homeowners

“Once you have all your documentation organized, hire a tax professional,” Pack says. “You can put the time and money a tax pro will save you into your next investment.”

The benefits of homeownership can propel your financial future. If you’re in the beginning stages of your home-buying journey, reach out to Altabank for [home loan](#) guidance.