



## Tax Tips: Staying on the Good Side of the IRS

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When wrapping up for 2006 and preparing your tax documents, be aware that interest, closing costs, and points can be tax deductible depending on the type of property (primary residence, second home, or

investment property) you are buying or refinancing.

Here's how to keep everything straight:

### Points:

When you purchase a property as your primary residence, **points are 100% tax deductible in the year you made the purchase.**

If you **refinanced your primary residence and paid points**, then you have to amortize or spread out the points over the new loan term.

When you buy an **investment property or second home**, points are deducted over the life of the loan as well, not 100% in the same year of purchase.

### Real estate taxes and mortgage interest:

**Real estate taxes are fully deductible in the year you paid them** no matter what type of property is being considered.

**Annual interest paid on your mortgage(s)** (reported on Form 1098, which you should receive from your bank by January 31, 2007) is **100% deductible as well.** However, depending on the type of property, you may need to be careful how you report it. Investment properties are reported on a different form than the one used to report interest and points for primary and second homes.

Whether you prepare your taxes or your accountant does, remember to look at your Settlement Statement **if you recently closed on a property** in order to identify real estate taxes that won't show up anywhere else, as well as pre-paid interest.

Have a question about what's tax deductible and what isn't? Don't rely on "advice" from friends or colleagues. For information regarding your specific question either visit the IRS Website at <http://www.irs.gov/> or call your accountant.



*Got questions about real estate financing?*

Contact [Debbie@westchester-mortgage.com](mailto:Debbie@westchester-mortgage.com) or 617-965-1236. She'll consider them for inclusion in a future column. Debbie Siegel is president of Westchester Mortgage in Newton, Massachusetts. She is licensed in several Northeastern states.