8 Tax Breaks for Homeowners

You may not qualify for all of them, but don't you want to know for sure?

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Owning a home can be a big expense, but the good news is some of your expenses are actually tax deductible. Read on to see how you can maximize homeownership write-offs on your tax return. (Note that this information is valid for tax year 2015 only.)

Mortgage interest

You can deduct all of the mortgage interest (not principal) payments you make on your home, up to a $1-million loan for a couple filing jointly. This applies to your home equity line of credit (on a loan up $100,000) and second mortgage as well.

If you own a second home, such as a vacation cottage or mobile home, you can deduct the mortgage interest for it as well, so long as you reside there for the longer of 14 days per year or 10 percent of the time it is rented out.

Mortgage points and insurance

In addition to the mortgage interest, you can also deduct the points you pay on your mortgage for your main home in the year you pay them, as well as points paid for a home equity loan. Points paid for refinancing your home mortgage generally have to be amortized over the length of the loan.

You can also deduct any premiums paid for private mortgage insurance (PMI) on your loan if you earned less than $109,000 in 2015 and the policy was taken out after 2006.

Property taxes

As strange as it sounds, you can deduct taxes on your taxes! Your property taxes are a deductible expense. Keep your property tax bills and proof of payment.

Home office

If you have some sort of home-based business, you may be entitled to a home office deduction on your taxes. There are several hoops to jump through to qualify for the deduction, the two biggest being that your home must be your primary place of business, and that you use the office space only for work. (The IRS spells out the rules for claiming the home office deduction in Publication 587.)

There are two ways to calculate your deduction. Under the simplified option, you can deduct $5 per square foot of your home office's area, up to a maximum 300 square feet.

The more complex (but often more advantageous) option involves dividing the square footage of your office by the total square footage of your home; this yields the "business percentage" of your home. You then multiply allowable home costs — namely mortgage interest and utilities — by the business percentage to arrive at the deductible amounts.

Energy credits

If you implemented energy-efficient improvements to your home, you can get a credit of up to 10 percent of the cost of those improvements, to a maximum of $500. This covers expenses like new windows and doors, insulation, and high-efficiency heating and cooling systems. You could also get a credit for 30 percent of the cost of renewable energy systems, like solar power.

There could also be state tax credits for these items as well which you can stack on top of your federal credit.

Medical home improvements

If you have a medical condition that necessitates home improvements, such as adding a stair lift because you have arthritis or an air filter because your spouse suffers from allergies, you may be able to write off some of these costs as part of your medical deduction.

However, you can deduct only that portion of your medical costs that exceed 10 percent of your adjusted gross income (7.5 percent if you are 65 or older).

And in most cases, you can deduct only the difference between the cost of the equipment and the increase in value to the home from this improvement. Some improvements (such widening doorways to accommodate a wheelchair) add no marketable value to the home but are fully deductible if you meet certain income requirements.

Home sales

If you sold your home in the last year, you could be eligible for some tax savings resulting from that transaction. The costs of your real estate agent's fees, advertising, and title insurance are deductible expenses. You can also deduct improvements you made to the home in order to sell it, but only if you have a taxable capital gain from the sale.

Home damages

If your home was damaged by weather, fire, theft, or another disaster, you've suffered a casualty loss, a portion of which may be deductible. If your loss was greater than 10 percent of your income and was not covered by insurance, you can deduct the loss. You'll need to be able to document the value of what was lost, however.

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