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Are You Buying or Selling a Home or Rental Property?

If you are purchasing or selling a principal residence, vacation home, or a rental property, here's what you need to know about the **tax savings opportunities** that may be available to you.

PURCHASING A PRINCIPAL RESIDENCE OR VACATION HOME

- *Itemized Deductions* – You may be able to itemize on your tax return. Mortgage interest and real estate taxes are deductible. It's important to analyze the closing statement for additional deductions.
- *Moving* – Some moving expenses may be deductible when purchasing your principal residence.
- *Points* – Points/origination fees may be fully deductible in the year of purchase.
- *Home Office* – If part of your home is utilized as a home office, there are multiple deductions that may be available.
- *Rental Income Exclusion* – If you rent your home for less than 15 days, you do not have to report the income.
- *Energy Related Breaks* – Tax credits are available for energy efficiency and conservation.

SELLING A PRINCIPAL RESIDENCE OR VACATION HOME

- *Calculation of Gain/Loss* – Selling costs are deductible. Your gain is your home's selling price, minus deductible closing costs, minus your basis. The closing statement should be analyzed for deductible items to reduce any gains.
- *Exclusion of Gain* – You may be able to exclude some or all of your gain on the sale of your principal residence.
- *Debt Forgiveness Exclusion* – Debt forgiven in a foreclosure for a principal residence is generally not taxable.
- *Moving* – Some moving expenses may be deductible when selling your principal residence.
- *Records* – Capital improvements can be used to increase basis in your home, which reduces your gain when the property is sold. It is important to keep adequate records of your improvements.

PURCHASING A RENTAL PROPERTY

- *Deductions* – As the owner of rental property, are you capturing all allowable deductions?
- *Depreciation* – A non-cash deduction that is very valuable. Calculation of depreciation should be reviewed for maximization.
- *Maximizing Deducibility of Losses* – Rental properties sometimes generate losses. If the owner is classified appropriately, losses may be utilized in the current year and not limited.
- *Cost Segregation* – It's important to maximize accelerated depreciation that is available. Increased depreciation deductions are generally available upon completion of a cost segregation study.

SELLING A RENTAL PROPERTY

- *Like-Kind Exchange* – Defer gain on the sale of your rental property by utilizing a like-kind exchange.
- *Calculation of Gain/Loss* – There are many components to this calculation. All costs should be accounted for in order to ensure that the minimum amount of gain is being reported.
- *Utilization of Suspended Losses* – Losses that were disallowed during the rental period, may be allowed upon the disposition of the property.
- *Debt Forgiveness Exclusion* – Debt forgiveness or debt modification may be excluded from income.

Need help? Contact Simon Filip, CPA, MST at 201-655-7411 or sfilip@krscpas.com for more about the tax saving opportunities identified above or any other tax planning questions you may have.
