

## Tax tips for home owners:

Most homeowners are familiar with the fact that they can deduct the interest and property taxes from their income tax returns. They also understand that there is a substantial capital gains exclusion for qualified sales of up to \$250,000 if single and \$500,000 for married filing jointly. However, ongoing recordkeeping tends to be overlooked.



New homeowners should get in the habit of keeping all receipts and paperwork for any improvements or repairs to the home. Existing homeowners need to be reminded as well, in case they have become lax in doing so.

These expenditures won't necessarily benefit in the annual tax filing but may become valuable when it is time to sell the home because it raises the basis or cost of the home.

For instance, let's say a single person buys a \$350,000 home that appreciates at 6% a year. Twelve years from now, the home will be worth \$700,000. \$250,000 of the gain will be exempt with no taxes due but the other \$100,000 will be taxed at long-term capital gains rate. At 15%, that would be \$15,000 in taxes due.

Assume during the time the home was owned that a variety of improvements totaling \$100,000 had been made. The adjusted basis in the home would be \$450,000 and the gain would only be \$250,000. No capital gains tax would be due.

So, it's my recommendation that you get into the habit of saving all receipts of home upgrades, repairs, and other expenditures. This could prove to be a valuable exercise when it comes time to sell your home. Your tax accountant may be able to make good use of this information. If you have any related question, click on the following link: [www.yoursouthcentralrealestate.com/contact-us/](http://www.yoursouthcentralrealestate.com/contact-us/) and let me know.



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Note: If this article generates additional questions or a need for additional information, the following button will allow you to ask your question(s), request additional information or make comments. It is not my intent to bug you with unwanted phone calls, emails, or text messages! It is my intent to allow you to benefit from my 35+ years real estate activity and to give you a buying experience beyond your expectations!

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