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9 EASY MISTAKES HOMEOWNERS MAKE ON THEIR TAXES

Be careful not to commit any of these nine home-related tax mistakes, which tax pros say are especially common and can cost you money

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Don't rouse the IRS or pay more taxes than necessary — know the score on each home tax deduction and credit.

As you calculate your tax returns, be careful not to commit any of these nine home-related tax mistakes, which tax pros say are especially common and can cost you money or draw the IRS to your doorstep.

1. Deducting the wrong year for property taxes:
You take a tax deduction for property taxes in the year you (or the holder of your escrow account) actually paid them. Some taxing authorities work a year behind — that is, you're not billed for 2013 property taxes until 2014. But that's irrelevant to the feds.

Enter on your federal forms whatever amount you actually paid in that tax year, no matter what the date is on your tax bill.

2. Confusing escrow amount for actual taxes paid:
If your lender escrows funds to pay your property taxes, don't just deduct the amount escrowed. The regular amount you pay into your escrow account each month to cover property taxes is probably a little more or a little less than your property tax bill. Your lender will adjust the amount every year or so to realign the two.

For example, your tax bill might be $1,200, but your lender may have collected $1,100 or $1,300 in escrow over the year. Deduct only $1,200 or the amount of property taxes noted on the Form 1098 that your lender sends. If you don't receive Form 1098, contact the agency that collects property tax to find out how much you paid.

3. Deducting points paid to refinance:
Deduct points paid to your lender for your mortgage in full for the year you bought your home. However, when you refinance, you must deduct points over the life of your new loan.

For example, if you paid $2,000 in points to refinance into a 15-year mortgage, your tax deduction is $2,000 divided by 15 years, or $133 per year.

Under the new federal tax law, the deductions for interest on mortgages, home equity loans and HELOCs will soon be far less valuable.

4. Misjudging the home office tax deduction:
For 2018 through 2025, company employees who work from home won't be able to deduct any home office expenses. Why? The Tax Cuts and Jobs Act (TCJA) suspends miscellaneous itemized deductions subject to the 2% floor for this period.

If, however, you're self-employed, you can deduct eligible home office expenses against your self-employment income. Therefore, the deduction will still be available to you for 2018 through 2025.

5. Failing to repay the first-time homebuyer tax credit:
If you used the original homebuyer tax credit in 2008, you must repay 1/15th of the credit over 15 years. If you used the tax credit in 2009 or 2010 and then within 36 months you sold your house or stopped using it as your primary residence, you also have to pay back the credit.

The IRS has a tool you can use to help figure out what you owe.

6. Failing to track home-related expenses:
If the IRS comes a-knockin', don't be scrambling to compile your records. File or scan and store home office and home improvement expense receipts & other home-related documents as you go.

7. Forgetting to keep track of capital gains:
If you sold your main home last year, don't forget to pay capital gains taxes on any profit. Most homeowners are exempted from paying taxes on the first $250,000 of profit for single filers ($500,000 for joint filers).

So if your cost basis for your home is $100,000 (what you paid for it plus any improvements) and you sold it for $400,000, your capital gains are $300,000. If you're single, you owe taxes on $50,000 of gains.

However, there are minimum time limits for holding property to take advantage of the exclusions, and other details. Consult IRS Publication 523. And high-income earners could get hit with an additional tax.

8. Filing incorrectly for energy tax credits:
Federal tax credits for energy efficiency expired at the end of 2016, but that doesn't mean you're out of luck. Many states offer energy efficiency tax incentives, often in the form of sales or property tax exemptions for purchasing or installing qualifying equipment.

Additionally, one of the biggest energy tax credits available to homeowners and businesses alike in 2018 is the investment tax credit for solar. This credit applies both to solar panel systems and solar hot water systems, and is worth 30 percent of the cost of buying and installing a solar system.

Congress extended this credit at the end of 2015, so you have until the end of 2019 to claim the full 30 percent benefit. After that, the value reduces by a few percentage points a year until 2022, when it goes away entirely for homeowners and falls to 10 percent for commercial system owners.

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9. Claiming too much for the mortgage interest tax deduction:
Taxpayers are allowed to deduct mortgage interest on home acquisition debt up to $750,000. As of 2018, there is no deduction for home equity debt.

This article provides general information about tax laws and consequences, but shouldn't be relied upon as tax or legal advice applicable to particular transactions or circumstances. Consult a tax professional for such advice.