

## *9 Easy Mistakes Homeowners Make on Their Taxes*



Image: Jenna Sue/jennasuedesign.blogspot.com

Watch out for the common tax-filing errors, and you'll get a maximum return without raising any red flags with the IRS. 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.

### **Sin #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. Dave Hampton, CPA, a tax department manager at the Cincinnati accounting firm of Burke & Schindler, has seen homeowners confuse payments for different years and claim the incorrect amount.

**Sin #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.

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### **Home Taxes & Financing**

#### **Taxes & Incentives**

#### **A Homeowner's Guide to**

#### **Taxes. Don't rouse the IRS**

#### **or pay more taxes than nec-**

#### **essary — know the score**

#### **on each home tax deduc-**

#### **tion and credit.**

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## *A few words from the Owner/Broker, Amanda L. Grover, SFR*

### **GREATER ROCHESTER/FINGER LAKES AREA MARKET ACTIVITY REMAINS STEADY IN 2014 AS HOUSING MARKET RECOVERY CONTINUES**

The Greater Rochester / Finger Lakes housing market continued its recovery in 2014. Closed sales dropped marginally by half a percent to 11,402, but that represents the second highest annual total since before the onset of the recession in 2008. Median Sales Price was also the second strongest since the recession began at \$126,000, down 1.2% from 2013. "The Rochester and Finger Lakes Region continues to see a steady recovery. In the five years since the recession ended, we have seen a consistent increase in all of our sales indicators. Closed Sales, Median Sales Price and Total Dollar Volume of Sales are all trending higher," said Andy Burke, President of the Greater Rochester Association of REALTORS®.

"Inventory of Homes for Sale continues to be a concern," Burke added. "The number of New Listings entering the market has been steady for the last four years, but with sales increasing over that period, we ended 2014 with the lowest level of homes on the market since 2010."

Pending Sales, an indicator of future closings, increased by 3.2% to 11,719. This bodes well for a strong start to 2015. GRAR CEO Jim Yockel points out that "The improving economy, greater sense of job security and interest rates still hovering below 4% are boosting consumer confidence and solid sales growth is expected in 2015."

"We anticipate that after another solid year, many homeowners who have been on the fence will be able and willing to put their home on the market. Activity and interest remain positive and a boost in inventory is just what the market needs to kick off the year," Burke added.

*Derived from Greater Rochester Assoc. of Realtors Press Release, 1/15/15.*

## Tax and Home Records Checklist: What to Keep and For How Long (Cont.)

*“Show respect  
even to people  
who don’t deserve  
it, not as a  
reflection of their  
character, but as  
a reflection of  
yours.”*

*From Lifehackers,  
quoting Dave Willis ,  
Pinterest*

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.

### **Sin #3: Deducting points paid to refinance**

Deduct points you paid your lender to secure 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. Related: How to Deduct Mortgage Points When You Buy a Home

### **Sin #4: Misjudging the home office tax deduction**

The deduction is complicated, often doesn’t amount to much of a deduction, has to be recaptured if you turn a profit when you sell your home, and can pique the IRS’s interest in your return.

But there’s good news. There’s a new simplified home office deduction option if you don’t want to claim actual costs. If you’re eligible, you can deduct \$5 per square foot up to 300 feet of office space, or up to \$1,500 per year.

### **Sin #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.

### **Sin #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 and other home-related documents as you go.

### **Sin #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. You can typically exclude \$250,000 of any profits from taxes (or \$500,000 if you’re married filing jointly). 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.

### **Sin #8: Filing incorrectly for energy tax credits**

If you made any eligible improvements in 2014, such as installing energy-efficient windows and doors, you may be able to take a 10% tax credit

(up to \$500; with some systems your cap is even lower than \$500). But keep in mind, it’s a lifetime credit. If you claimed the credit in any recent years, you’re done. Installing a solar electric, solar water heater, geothermal, or small wind energy system can also make you eligible to take the Residential Energy Efficient Property Credit.

To claim the deduction, you have to use the complicated Form 5695, which can mean cross-checking with half a dozen other IRS forms. Read the instructions carefully.

### **Sin #9: Claiming too much for the mortgage interest tax deduction**

Taxpayers are allowed to deduct mortgage interest on home acquisition debt up to \$1 million, plus they can also deduct up to \$100,000 in 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.

**G. M. Filisko** is an attorney and award-winning writer. A frequent contributor to publications including Bankrate, REALTOR Magazine, and the American Bar Association Journal, she specializes in real estate, personal finance, and legal topics.

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## *Get to Know Our Team! Some Things That Might Surprise You...*



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WE'RE EXCITED TO SEE THE FLOWERS STARTING TO POP UP OUT OF THE GROUND AND THE PHONES STARTING TO GET PRETTY BUSY ONCE AGAIN...IT'S SPRING!! LOT'S OF CLEAN UP TO DO TO OUR PARKING LOTS, DRIVEWAYS AND LAWNS - WE JUST ORDERED LOADS OF STONE TODAY AS A MATTER OF FACT! ENJOY THE WEATHER :)

BOY, ARE WE GLAD TO HAVE WARM WEATHER! THE SNOW IS MELTING FAST AND WE ARE LOOKING FORWARD TO GETTING THE WANETA LAKE COTTAGE OPEN AND READY TO RENT THIS YEAR! LOOKING FOR A QUIET PLACE TO RELAX CLOSE TO HOME? WANETA LAKE IS IT! OR YOU CAN TAKE A TRIP TO THE ADIRONDACKS AND STAY AT OUR HOUSE IN OLD FORGE — SUMMER WILL BE HERE BEFORE WE KNOW IT BUT WE'RE SURE LOOKING FORWARD TO GREEN GRASS AND SPRING FLOWERS. CALL US TODAY TO FIND YOUR NEW HOUSE AND LET'S GET YOU MOVING TODAY!



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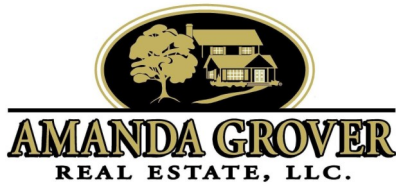
LOVING THE SUN, LONGER DAYS AND A SALT FREE CAR! FREDONIA LAX IS UNDER WAY, BE AT GAMES SOON. GETTING READY FOR THE SPRING CLEANING AND OUTDOOR WORK! CAN'T WAIT

LOOKING FORWARD TO SPRING AND THE THAW! I HAVE ENJOYED REAL ESTATE "HIBERNATING" BUT AM READY TO ASSIST WITH SELLING AND BUYING! RECENTLY I RESCUED 2 MINIATURE HORSES, SO HAVE BEEN SPENDING SOME EXTRA TIME WORKING WITH "SUGAR" & "SPICE".

WE HAVE ALL GOTTEN THROUGH THE VERY LONG AND EXTREMELY COLD MONTHS OF FEBRUARY AND NOW SPRING IS FINALLY HERE. THERE IS THE FEELING OF NEW BEGINNINGS AND A SPECIAL BOUNCE IN MY FOOTSTEPS AS I LOOK FORWARD TO THE NEW SEASON. WHETHER IT'S A NEW BEGINNING, A NEW SEASON OF LIFE OR JUST A CHANGE OF PACE, I WOULD LOVE TO HELP YOU FIND YOUR NEW HOME. GIVE ME A CALL!

I KNEW SPRING WOULD EVENTUALLY COME! WHAT A LONG, COLD WINTER! I'VE BEEN LOVING THE SUNSHINE AND LOOK FORWARD TO THE SNOW PILES MELTING OFF MY GARDENS. MY CALENDAR HAS FILLED UP WITH SPRING EVENTS AND PLANNING FOR MY DAUGHTER'S MAY WEDDING. THE AGENTS ARE KEEPING ME VERY BUSY THESE DAYS, TOO!





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