

# The Real Estate Bulletin

NEWS

Cape May, NJ

Your Local Source for Real Estate

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## Tax Tips for Real Estate

### Principal Residence:

- **Closing Costs** on a principal residence are nondeductible, **except for mortgage points** on purchase/improvements.
- **Mortgage interest and real estate taxes on a principal residence** are deductible as itemized deductions. Mortgage interest is deductible for loans **up to \$1,000,000** and home equity loans **up to \$100,000**.
- The **gain** in the sale of a **principal residence** is nontaxable **up to \$250,000/single, \$500,000/joint**. The person must live in the home **2 out of the last 5 years**, as well as meeting other requirements.
- **Losses** on the sale of a principal residence are nondeductible.
- **Office-in-Home** rules have broadened effective 1-1-99. The designated area must be used exclusively for business and is depreciable. The **gain on the home-office portion may be taxable**.
- **First Time Principal Residence Buyers** (this doesn't necessarily mean your first home purchase per IRS regulations) can withdraw **up to \$10,000** penalty free from **their IRA** only for closing and acquisitions fees.
- Effective 8-1-04 New Jersey Instituted a **"general purpose fee"** on all transfers of real property **in excess of \$350,000**.
- A **"Mansion Tax"** is imposed on buyers on real property zoned residential where the consideration is **>\$1,000,000**. The fee is **1% of the full consideration** received.
- If the property is used as a **vacation home**, only real estate taxes and mortgage interest is deductible. If you rent your property for <14 days, under certain circumstances you may not have to claim rental income.



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