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2007 Mortgage Insurance is Tax Deductible

Some home buyers will be receiving a bit of a tax break for the 2007 tax year thanks to new legislation that will make mortgage insurance (MI or PMI for private mortgage insurance) tax deductible.

PMI, is a type of insurance that insures the lender in case the buyer defaults on the loan. The lender usually requires PMI when the buyer has a down payment less than 20% of the asking price of the home.

Many homeowners will be eligible to deduct 100% of the PMI they paid in 2007 on their federal tax returns. This law applies to all new mortgage transactions between January 1, 2007 and December 31, 2007. There are some other deductibility stipulations including:

• The tax deduction only applies to mortgages closed in 2007

• There are income limits. A 100% deduction is applicable for gross incomes of \$100,000 or less.

• No tax deductions are available for gross incomes over \$110,000.

Note that this law has only been approved for tax year 2007 and there is no guarantee that it will be renewed, but at least it will be a nice benefit to new homeowners for this year.

Christina Whipple

<http://www.christinawhipple.com/>

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