

# Tips For Using Your Home Mortgage For Tax Benefits

Taxes can be something that you dread, but if you own a home, you may find that taxes are not so bad, especially in the early years of owning that home. That is because you can actually save money through tax deductions for the interest that you are paying on your mortgage loan. While you won't get back all of your home loan payments, a considerable amount of money is yours to use as you need to. Most importantly, you will be able to enjoy this benefit for as long as you are paying interest on your loan. Learning how to use your mortgage for tax benefits is important. You should always work closely with your tax professional to help you to accomplish this and to get the most tax advantages from your home. A mortgage calculator can help you to see just how much you will be able to deduct from your loan, though. You can use this as a tool to guide your estimates.

## Interest On Your Mortgage

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Before you can begin learning how much you are likely to save with a tax deduction on your home, realize how interest is calculated on your mortgage. In the beginning years of your loan, you are paying far more interest on the loan with each payment than you are paying principle on that loan. Your payment is split and the way that it is calculated does not necessarily benefit you but rather the lender. The more principle that is left in your loan, the more interest will build on that principle. Nevertheless, it is important to see that in the first years of your homeownership, you will pay much more interest than principle and that means more likelihood to save money on your taxes in the first years of your mortgage over the later.

## How Much Can You Get?

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If you itemize your taxes, then you will likely see a benefit coming from your mortgage interest. A portion of the amount that you paid to interest over the year to your lender is tax deductible. These funds are allowed to come back to you in terms of a tax deduction. Now, the question is, how much can you get back?

The best way to learn this is to punch in your specific loan scenario into a [mortgage calculator that is based on tax deductions for mortgage interest](#). This will give you the

exact number that you are likely to get for your tax deduction. Here is an example of what will be the scenario to some people.

If you have a mortgage that is in the amount of \$250,000 and you have an interest rate that is set at 6.5 percent, for a loan term of 30 years, here's what you will get to write off as a tax deduction:

Loan amount: \$250,000

Interest Rate: 6.5 percent

Term: 30 Years

Year One: \$16,167	Year Two: \$15,980
Year Three: \$15,780	Year Five: \$15,340
Year Ten: \$13,954	Year Twenty: \$9,386
Year Thirty: \$651	

As you can see, as time goes by you get less of a tax deduction for your interest. The reason for this is quite simply because towards the end of your loan repayment period you are paying nearly all principle and little interest on the loan (you've already paid this during the yearly years of the loan, of course!) Nevertheless, this is a significant write off to not miss on your taxes each year.

Be sure that you take the time to work with your tax professional to learn what you specifically can write off as a deduction on your interest. Not everyone will see the same savings in terms of interest payments and your situation may actually be that you would save more by taking the standard deduction on your taxes. These questions are best left to a professional that can work with your individual situation.

## **What About Points? Can They Help You Here, Too?**

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If you paid points on your mortgage loan, you can also write off this type of interest on your taxes. You will find that this too can be quite a beneficial reason to take into consideration paying points. Points are percentages of your loan that you pay in an up front interest payment. This amount can help you to save a considerable amount on your taxes, but again is subject to your specific situation.

## **Tips To Remember About Mortgage Interest**

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There are several things to keep in mind when using mortgage interest for a tax deduction. Besides working with a tax professional, consider these tips.

1. Keeping track of the interest that you pay is not difficult considering most mortgage companies will provide you with a statement of this information within the first month of the year following the payments.
2. Do be sure to watch the government and Congress. New restrictions and changes happen often and mortgage interest has been something that has been debated including the write offs that are received on larger home loans.
3. Use a mortgage calculator designed specifically to tell you about the interest paid during a loan. This will calculate just how much is being paid that can then be used as a tax deduction. Not any mortgage calculator will work here, though.

Many states have their own laws regarding mortgage interest deductions as well as local communities. Be sure that you know what is allowable in your state and your tax jurisdiction. Take the time to use a [mortgage calculator](#) to find out just how much money your mortgage interest payments can provide to you in terms of a tax deduction. This may be just what you need to push you over and have you purchasing a home because of this benefit.