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At the end of one year and the beginning of another is the time to reflect back on all that we accomplished and encountered during the past 12 months. Included on that list should be financial activities undertaken that will impact our tax returns.

Current home owners are already aware of the tax advantages to be had through the buying, financing and good citizenry (i.e. paying taxes) of that residence. If you are considering getting into your first home this coming year, keep in mind these tax breaks you[1]ll enjoy when tax time approaches.

Mortgage interest deduction: If you take out a mortgage to finance the purchase of your home, for the vast majority of home owners the interest you pay to the financial institution is fully tax deductible. (A limit of $1 million is set on how much interest can be deducted.) For many Americans, this is the largest single sum they can deduct on their taxes. Rightly so, as for many Americans, a home is the single largest purchase they will ever make. Mortgage interest is one of the "I"'s in the PITI (Principle, Interest, Taxes, Insurance). Points: This is a portion of the money you pay to the lending institution when you close your mortgage. A point is considered prepaid interest and represents one percent of the loan total, so that on a $100,000 loan, a point is $1,000. The points quoted with your mortgage interest rate will increase the amount of out-of-pocket money you will need at the time of closing but will give you the tax advantage later on. The other portion of the moneys paid at closing are service fees which are not deductible.

Property Taxes: This is the "T" in the PITI. Taxes you pay on your property are tax deductible. They are usually collected twice a year and are often paid with your mortgage in 12 increments and placed in an escrow account. Your lender will explain that and other tax payment options available to you when you set up your mortgage account.

While the tax deductions afforded to home owners are the major benefit they realize come tax time, it represents an enormous amount of lost revenue to the government. In every federal budget cycle, proposals are made to greatly limit or even gradually phase out mortgage interest as a deduction. Our nation's REALTORS® through our professional lobbying staff keep a constant vigil over this threat to ensure it is not taken away. We know it is in the best interests of you, the home owner, to maintain this benefit.

The monetary value of home ownership is measured by these tax benefits as well as the equity built in the home over the years. These are tangible benefits realized from the time you buy until the time you close on a sale.

As a home owner gradually pays off his or her mortgage, equity builds up -- money available to the owner when the home sells. In addition to equity build-up, owning a home results in more savings than renting does, as much as 30 percent. When renting, the monthly payment doesn't build resources for the future. Actually, a renter is helping to buy the property for the landlord!

Prospective home owners should view paying off a mortgage as a forced savings plan. Your equity then gives you extra borrowing power -- important to consider if you¹re planning to send children to college. In addition, you'll most likely already own that home when retirement rolls around which will greatly lower your housing costs. If you trade down to a smaller home, you may walk away with a sizable return on your original investment! To help you determine just how the financial and tax benefits of home ownership will affect you, feel free to contact a member of the Dayton Area Board of REALTORS® locally. This is just one of many valuable services we will be happy to provide as you begin your search for your dream home.