

# Home, sweet home also sweetens tax situation

If you're still grappling with the question of whether to buy a new house, perhaps the tax benefits can help you with the decision.

The advantages start as soon as you secure a mortgage. Lenders generally charge points for a mortgage loan, and points, which constitute a loan origination fee, may be deducted as an interest expense on your tax return.

If you had to relocate because of a change in your job, you may be eligible for additional tax breaks. Generally, you can deduct unreimbursed relocation costs if the distance between your new job location and your former home is 35 miles more than the distance between your old job site and your former home.

The biggest tax savings available to most homeowners comes from mortgage interest. Homeowners may deduct interest on loans to buy first or second homes.

Real estate taxes can add substantially to your monthly payments. But these are also fully deductible. Even owners of cooperatives may deduct a proportionate share of real estate taxes assessed on the building itself.

If you take out a home equity loan to finance house renovations or make some big-ticket purchases, you can generally deduct the interest on a loan of up to \$100,000, providing

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the loan doesn't exceed the difference between your house's fair market value and the amount already owed on it.

Within certain limits, costs associated with using part of your house as your office are also deductible. For example, you may be able to depreciate the portion of your house used as a home office and deduct part of your homeowner's insurance and utility bills. To qualify for these deductions, you must use your home office exclusively and regularly for business purposes.

Decorating and repair costs paid to sell your house are deductible if the work was done within 90 days prior to your signing a contract to sell and if the bills for these costs were paid within 30 days after the sale.

Costs incurred to make home improvements, such as adding a new bathroom or finishing a basement are generally not tax-deductible. But they may add to the tax basis of your house and can help reduce or eliminate capital gains tax when it comes to sell your house.

You can defer the income tax on the gain from the sale if within two years before or two years after you sell your home, you buy another one that costs at least as much as the sale price of your old home. But be aware that there is a special rule on purchasing and selling more than one house within a two-year period. If you find yourself in this situation, consult your tax adviser.

If you are age 55 or older, you are eligible for a significant tax break that enables you to exclude from taxable income as much as \$125,000 of the profit from the sale of your home. To qualify, you must have owned and occupied the residence for three out of the last five years. A married couple who owns the house jointly can claim this tax break even if only one spouse meets both the age and residency requirements. This is a once-in-a-lifetime tax break.

There's little question that the cost of owning a home can take a big chunk of your salary, but understanding the tax benefits may make your financial burden a little lighter.



# Conservation never goes out of style

AP — Concern for the environment and controlling energy costs are two reasons homeowners are showing considerable interest in energy conservation lately. Future Outlook magazine offers these tips in figuring out which changes will save the most in a home.

Desiring to see an immediate reduction in energy bills, some people stop using a few appliances or replace their heating systems. But drastic changes or large investments are not always necessary. The little things a person does to save energy can add up to big savings, says Herbert Corbett, senior technical specialist with the National Appropriate Technology Assistance Service.

And the changes necessary to conserve energy don't mean an austere

lifestyle. "Conservation does not mean deprivation," says Peter Dreyfuss, executive director of the Metropolitan Energy Center in Kansas City, Mo.

The trick to smart conservation is making the changes and improvements with the highest payback, says Corbett. For example, well homeowners save more energy by adding an extra layer of insulation to the attic or by adding storm windows or other energy savers?

An energy audit is a good way to set conservation priorities. During an energy audit, a technician evaluates the efficiency of the home by looking for air leaks, measuring insulation and inspecting the heating and cooling systems. Homeowners get a complete overview of their

home's energy use and a list of recommendations for improving efficiency.

To find someone to do an energy audit, call the local electric or natural gas company.

ENERGY CONSERVATION and utility companies may seem strange bedfellows, Dreyfuss says, but utility companies have a vested interest in conservation. A good business sense puts the power companies in the conservation business, Dreyfuss says. When, for example, the population in an area booms and lots of new customers need power, officials at the local electric company have two op-

tions: Build an expensive new power plant or encourage customers to use electricity more wisely. Making sure that each power plant provides electricity to the maximum number of customers is the most cost effective option.

Reducing the number of nonpaying customers is another reason utility companies encourage conservation. When homeowners can't afford to pay their utility bills, the power companies raise rates to cover the bad debts. But if those folks can make their home energy efficient and learn to conserve, they may be able to pay the lower bills, says Dreyfuss.

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**Spectacular surroundings and luxury homes make Oxford Estates a unique find in Farmington Hills**

Some of the biggest news in the suburban development scene is the recent introduction of Oxford Estates, an exclusive new 71 home community nestled among 40 wooded acres in Farmington Hills.

Oxford Estates features lovely custom designed homes in a variety of floor plans including ranches, 1 1/2 & 2 story homes from three of Michigan's most prominent builders. Future Custom Homes, Kimron Construction and The Selective Group - all of whom are well known for their quality construction and dedication to detail.

When we began looking for a home, we were immediately drawn to Oxford Estates... said Sam Pinkerton a pharmacist and drugstore owner. The homes here are extremely well built and that was our primary concern in buying a home. Everything at Oxford Estates is first class. And, of course, we were very impressed with the natural beauty of the property.

What helps set Oxford Estates apart from other communities is indeed the beauty of its property. Its lush wooded areas, ponds, hills, and lawns are among the best of its kind and are protected by the City of Farmington Hills Woodlands Committee.

What I really caught our eye was the landscape at Oxford Estates... said Jeanne Tokiedt, a resident of Oxford Estates whose husband is a Ford Motor Company executive. We've relocated many times and this is by far the most beautiful place we've lived. Here you can take a walk in the woods right in your own backyard. We also like the fact that Oxford Estates isn't too large of a community, there's a special feeling of intimacy here. We've enjoyed getting to

know our neighbors... many of whom are transplants like us... added Tokiedt. While offering a secluded feel, Oxford Estates is centrally located near shopping centers, restaurants and excellent Farmington Hills schools including new Hillside Elementary. There is also a variety of recreational spots - from clubs to theatres - located conveniently nearby.

"Living here really is having the best of both worlds," said Wendy Bratt, sales coordinator at Oxford Estates. You're able to take advantage of living in a

lovely, new home in an old, heavily treed, private setting. In fact, many of our homes are built on cul-de-sacs, lots which help add to the feeling of privacy here.

Homes in Oxford Estates range in price from \$300,000 to \$500,000 in an area of homes that are priced in excess of \$1,000,000. Two model homes have been decorated by Harriet Brandt of Candle Lite II Interiors and are currently on display.

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