



THOMSON REUTERS

## CONTACTS

Nancy Kohler  
Lande Communications  
(800) 993-7600 ext. 3#  
[nkohler@landepr.com](mailto:nkohler@landepr.com)

Melissa Lande  
Lande Communications  
(800) 993-7600 ext. 1#  
[mlande@landepr.com](mailto:mlande@landepr.com)

## NEWS RELEASE

FOR IMMEDIATE RELEASE

### YEAR-END MOVES THAT CAN CUT TAXES FOR HOMEOWNERS

*Recent Tax Law Changes Can Mean Big Tax Savings for Homeowners*

**New York, NY, Fourth Quarter, 2008** – “Recent tax law changes give homeowners a number of new ways to save on their taxes,” says Harris Abrams, Senior Tax Analyst for the Tax & Accounting business of Thomson Reuters. “But taxpayers should also remember to take advantage of other breaks that have been in the tax law all along.”

Here are some tax saving opportunities for homeowners to consider:

1. **First-time homebuyer’s credit.** If you are a first-time homebuyer of a principal residence any time from April 9<sup>th</sup>, 2008 through June 30<sup>th</sup>, 2009, you may be able to claim a refundable tax credit of 10% of the purchase price, with the maximum credit set at \$7,500. And you can claim the credit on your 2008 income tax return even if the purchase occurs in the first half of 2009. So you don’t need to accelerate the purchase to have it fall before the end of 2008 – but you do need to be sure your income for 2008 does not exceed the eligibility level. The credit phases out with modified adjusted gross income in the \$75,000 to \$95,000 range (\$150,000 to \$170,000 for joint return filers). “If it looks like your income will be above the \$75,000/\$150,000 threshold for 2008, you can increase your credit eligibility by reducing your 2008 income,” Abrams advises. However, bear in mind that the credit is recaptured in equal installments over a 15-year period. The credit is thus equivalent to an interest-free loan of 10% of the home’s purchase price, up to \$7,500. Therefore, the credit is best if you’re using it to pay back some other loan—say, from parents who fronted some cash for the down payment or from a 401(k) plan. “If your mortgage already stretches your finances, you should beware of getting the credit and then using the funds for a car or even home furnishings—in effect, saddling yourself with a 15-year debt for those items on top of your mortgage,” says Abrams.



**Year-end Tax Tips for Homeowners**

Page 2 of 3

2. **Additional standard deduction for property taxes.** **For 2008 only**, if you claim the standard deduction, you can claim an additional standard deduction amount of up to \$500 (\$1,000 if you file jointly) to the extent you pay real estate taxes that would be deductible if you itemized your deductions. Thus, even if you normally itemize, you may find that this new tax break leaves you better off claiming the standard deduction in 2008. "While the usual approach is to claim itemized deductions as soon as possible – to accelerate the tax benefits – you might want to reverse that in this case," Abrams explains. "Delaying as many deductible expenses (such as charitable contributions) as you can from 2008 into 2009 will let you take the bigger standard deduction in 2008 and have more itemized deductions to claim in 2009 (when the additional standard deduction is no longer available). This gives you the best overall tax result for the two years." This tip is something to consider, especially if you purchased a home late in the year and haven't paid enough mortgage interest and taxes to make itemizing worthwhile, or if you don't itemize because your home mortgage is paid off.
  
3. **Restriction on home-sale exclusion.** If ever you were planning to turn your vacation home into your principal residence and sell what is currently your primary home, you may be able to save on your tax bill if you act by year-end. You can sell the property you had been using as your principal residence for at least two of the last five years and generally exclude up to \$250,000 (\$500,000 for joint return filers) of gain. Then, two years after your vacation home becomes your new principal residence, you can sell it and exclude all the gain, to the extent it does not exceed the \$250,000/\$500,000 ceiling. Note that, as a result of a change in the tax laws, if you turn your vacation home into your principal residence after 2008, gain allocable to time you owned the home after 2008, and did not use it as your principal residence, won't be eligible for the home-sale exclusion. This change may not affect those who have more than \$250,000/\$500,000 of appreciation because the change reduces the portion of the gain that is eligible for the exclusion. It does not reduce the maximum exclusion amount.
  
4. **Make your January 2009 mortgage payment early.** "Most of us don't like to pay our bills any earlier than we have to, but sending your January 2009 mortgage payment in on December 31, 2008– rather than on January 1, 2009 – can mean a bigger refund this coming April," Abrams notes. This is because making the mortgage payment this year instead of next lets you deduct that part of the payment representing property taxes and interest on your 2008 return, instead of waiting until you file your 2009 return.
  
5. **Consider refinancing.** Points you pay to refinance your home usually aren't fully deductible in the year they're paid. However, you may be entitled to a larger first-year deduction for the points if you use part of the proceeds of the refinancing to improve your home. In that case, the points relating to the part of the loan used for home improvements may be fully deductible in the year you paid them. "For example," notes Abrams, "say you refinance a mortgage with an outstanding balance of \$80,000 with a new, lower-rate loan for \$100,000. If you use the proceeds of the new mortgage loan to pay off the old loan and to pay for \$20,000 of home improvements, you can deduct



**Year-end Tax Tips for Homeowners**

Page 3 of 3

20% of the points you pay on this year's return – since you used 20% of the loan proceeds for home improvements." And if you're refinancing for the second time – and paying off the first refinancing in the process – you can deduct the portion of any points from the first refinancing that you hadn't previously deducted. (For a vacation home, a first refinancing can result in a deduction for unamortized points paid on an original mortgage.)

6. **Save some green by going green.** "Now is the time to go green," Abrams says. "There are two separate credits for installing energy-efficient property in your home – but they're both going away after 2008." You can get a 30% credit (up to a maximum credit of \$2,000) for equipment that uses solar energy to generate electricity, to heat or cool (or provide hot water for) your home, or to provide solar heat (but not for heating your swimming pool or hot tub). In addition, you can take a 30% credit (up to a maximum credit of \$500) for certain fuel cell equipment – equipment that turns fuel into electricity. But act now -because unless these credits are extended, they won't be available after 2008. (Note: a proposal to extend the solar energy credit would also expand it, so if you are planning to spend more than needed to qualify for that maximum credit, stay tuned for last-minute legislative changes that could leave you better off delaying action until next year.)

So even though summer is over and the end of the year is in sight, don't think you're locked in to your current tax situation. As Abrams notes, "Homeowners have a number of options to explore for saving a lot of money this coming April, but they need to act soon."

**About Thomson Reuters**

Thomson Reuters is the world's leading source of intelligent information for businesses and professionals. We combine industry expertise with innovative technology to deliver critical information to leading decision makers in the financial, legal, tax and accounting, scientific, healthcare and media markets, powered by the world's most trusted news organization. With headquarters in New York and major operations in London and Eagan, Minnesota, Thomson Reuters employs more than 50,000 people in 93 countries. Thomson Reuters shares are listed on the New York Stock Exchange (NYSE: TRI); Toronto Stock Exchange (TSX: TRI); London Stock Exchange (LSE: TRIL); and Nasdaq (NASDAQ: TRIN). For more information, go to [www.thomsonreuters.com](http://www.thomsonreuters.com).

The Tax & Accounting business of Thomson Reuters is the leading provider of technology and information solutions, as well as integrated tax compliance software and services to accounting, tax and corporate finance professionals in accounting firms, corporations, law firms and government. Tax & Accounting includes the Professional Software & Services, Corporate Software & Services, and Research & Guidance business groups.