

- ❖ **Why should I buy a house vs. rent?**
  - You own the property,
  - The money you put into the property for upgrades/improvements increases the value of the property; which is your basis, so that when you sell the home, you get a greater return on your investment.
  - When you sell the home, if you meet the ownership test where you lived in it for 2 of the prior 5 years as your primary residence, you can “elect to exclude” the gain (\$500K for MFJ/\$250K for single)
  - Bonus: Surviving Spouse may use the full \$500K exclusion election if the sale is within 2 years after the other spouse’s death and the both spouses satisfied the ownership test.
- ❖ **What is deductible?**
  - Mortgage Interest of a “Qualified Residence” is deductible on Form 1040 Schedule A Itemized Deductions
    - Qualified Residence = taxpayers’ primary residence & one other residence such as a vacation home where the taxpayer owns the property and does not use for rental business.
    - Types of Mortgages:
      - Construction loan,
      - Acquisition loan,
      - Refy: additional requirements/rules where the refinanced amount cannot be greater than the original note balance before the refy, and
      - Home Equity loan where “Substantial Improvements” are made to the primary residence.
    - Form 1098 -> reports primary residence address of which the note is associated with.
    - Aggregate debt limitation on deductible mortgage interest: \$1M MFJ (\$500K single)
  - **Prepping Home for Sale**
    - Repairs
    - Repaint
    - Staging
    - Advertising
    - Seller costs
- ❖ **§1031 Like Kind Exchanges – what property can I exchange?**
  - Property held for use in a trade or business or investment.
  - Must exchange for property of the same nature or character
  - Transaction Rules if the transaction is after the relinquished property is transferred:
    - Must identify within 45 days after relinquished property is transferred,
    - Must receive within 180 days after transfer or by the due date of your return (whichever is earlier)
    - Should use a bonded like kind exchange service
    - Additional rules if the property is secured with a mortgage debt.
- ❖ **Home Based Businesses**
  - Must frequently use the office space and it is your business not your employer’s business
  - Allocation of Space Calculations are based on the total square footage of building occupied versus the office space with clear boundaries (walls) or separate building in yard/property
  - Get renter’s insurance
- ❖ **House Flips**
  - Capital Gains: Just an investment, not on a regular basis like a business
  - Regular Inventory: Counted as ordinary income
- ❖ **Duplexes**
  - Considered two separate properties identified by their address
  - If you live in one but lease out the other (a licensed professional or just passive income)



**Mailing:** P.O. Box 2547, Seguin, TX 78156  
**Offices locations:** 1111 N. Walnut Ave., Ste 103  
New Braunfels, TX 78130  
**Office Phones:** 830-626-0838  
**e-Fax:** 210-899-0956

19311 FM 2252, Ste 102  
Garden Ridge, TX 78266  
210-651-0660  
210-899-0956