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Simple way to show you how “home payments” help you in taxes if you have income.

Example: Let us take a family of four with husband & wife and two kids making \$8k/month together.

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|------------------|--|
| Monthly Gross: | 8,000.00 |
| Withholding: | 508.34 (254.17 for one allowance and two for two kids) |
| SST: | 496.00 |
| Medicare: | 116.00 |
| SDI(Disability): | 72.00 |
| <hr/> | |
| Taxable Income: | 6,807.66 |

Scenario1: No other deductions to take.

Federal Taxes: $523.75 + 27\% * (6807.66 - 4363.00) = 523.75 + 0.27*2444.66 = 1183.81$
 State Taxes: $280.92 + 9.3\% * (6807.66 - 6380.00) = 280.92 + 0.093 * 427.66 = 320.69$

Take Home Amount: $6807.66 - (1183.81 + 320.69) = 5303.16$

Scenario2: With house payments.

The couple bought a house worth 600k with a \$500k loan at 5% interest rate.

Property taxes per month: $(\$600,000 * 1.25\%) / 12 = \625.00
 Interest payments per month: \$2,060.00

| | |
|-------------------|----------------|
| Total Deductions: | <hr/> 2,685.00 |
|-------------------|----------------|

Taxable Income: $6,807.66 - 2,685.00 = 4122.66$
 Federal Taxes: $100.00 + 15\% * (4122.66 - 1538.00) = 387.70$
 State Taxes: $89.64 + 6\% * (4122.66 - 3636.00) = 118.84$

Take Home Amount: $4122.66 - (387.70 + 118.84) = 3616.12$

Difference in take home amount: $5303.16 - 3616.12 = 1687.04$

“If you are renting a place that is costing you around \$1600/month and if you have steady income of about \$8k/month and don’t have many deductions, then it might be worth to buy a home”

***Note

This is an estimate only to give general idea of how the interest payment deductions help in taxes. You are advised to do thorough calculations using your tax accountant.