

Tax Advantages of Owning vs. Renting

	RENTING - 12 months		PURCHASING - 12 months	
	Cash Flow	Tax Deductions	Cash Flow	Tax Deductions
Applicable items				
Rental payments (12x \$800)	\$9,600			
Mortgage payments:				
Principal			\$1,046	
Interest			\$5,816	\$5,816
Property taxes			\$1,735	\$1,735
Insurance	\$350		\$473	
Total cash overflow for housing	\$9,950		\$9,070	
Tax Savings	N/A		\$362* (5)	
Net cash outflow	\$9,950		\$8,708	
Increased equity	\$0		\$1,046	
Net cost for housing	\$9,950		\$7,662	

Tax computation	Renting	Purchasing
Adjusted gross Income	\$ 80,000.00	\$ 80,000.00
Standard Deduction	\$ (10,700.00)	
Itemized		\$ (12,251.00)
Personal exemptions	\$ (6,800.00)	\$ (6,800.00)
Taxable income	<u>\$ 62,500.00</u>	<u>\$ 60,949.00</u>
Federal income tax	<u>\$ 8,746.00</u>	<u>\$ 8,384.00</u>

Income of \$80,000 - Deductions : \$3,200 - State Income tax
 \$1,500 - Charitable Contributions
 \$5,816 - Interest
 \$1,735 - Property tax

Assumptions

1. Purchase price \$100,000 - 0 down payment - mortgage \$100,000
2. 30 year fixed @ 6.375%
3. Renting @ \$800 per month
4. Married tax payers, 0 dependants - Adjusted gross income of \$80,000
5. Make sure to verify all amounts with a certified accountant