

Is Your New Outer Banks Home Considered a *Second Home* or An *Investment Home*?

WHAT YOUR LENDER SAYS (RULES MAY VARY PER LENDER):

Most often, if it is your **first Outer Banks property AND you are able to qualify without considering proposed rental income**, your new home may be classified as a *second home*. In such cases, you may be able to put as little as 10% down, however your lender will ask you to sign a statement noting that you will be occupying the home at least fourteen days a year.

If this is your **second Outer Banks property AND/OR you need the rental income to qualify**, your new home may be classified as an *investment home*. In such cases, lenders generally require larger down payments ('gift' money is excluded for cash needed for the down payment/closing costs) and possibly higher interest rates.

WHAT DOES THE IRS SAY ABOUT VACATION HOMES?:

Generally speaking, vacation homes fall into the categories of

1) Second Home used as a Vacation Home

- *Property taxes & mortgage interest may be deducted (Sched. A)
- *Depreciation, operating losses & expenses may not be deducted
- *Taxpayer may only have one 'second' home (for tax purposes)

2) Second Home used as a Rental Property

- *This is the most common type of second homeownership
- *The second home must be rented
- *Depreciation, income/expenses associated with property rental are deductible (Sched. E)
- *Homeowner may not have personal use of the home exceeding 14 days or 10% of total time home is available for rent (per year).

Personal Use: Days/parts of days that the owner, owner's family or relatives use the property. Note: Days spent by the owner maintaining the home, preparing the home for a rental season or closing a home at the end of the season are not considered personal use.

VISIT WWW.IRS.GOV FOR MORE INFORMATION

**Please consult your tax advisor for relevance to your personal financial situation*