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OFFICE OF
CHIEF COUNSEL

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Dear :

Thank you for your letter dated November 15, 2005, concerning tax benefits to homeowners. Your question concerns whether the term "homeowner" as used in section 20 of the Louisiana Constitution of 1974 has the same meaning as the term "homeowner" that is referred to in Internal Revenue Service Publication 530, Tax Information for First-Time Homeowners.

Section 20 of the Louisiana Constitution concerns the homestead exemption that is available to homeowners. Section 20(A)(1) of the Louisiana Constitution provides that homeowners of a bona fide homestead are exempt from ad valorem taxes to the extent of \$7,500 of assessed value. Section 20(A)(1) of the Louisiana Constitution defines a homestead as consisting of a tract of land with a residence on one tract and, if more than one tract of land, then a field, pasture, or garden on the other tract(s).

Publication 530 deals with the tax benefits available to first-time homeowners. Such benefits may include the deduction for real estate taxes, the mortgage interest deduction, and the deduction for points paid to obtain a mortgage. While the Publication does not define the term "homeowner", the term generally means the person who has the benefits (ability to use the home) and burdens (the person who is responsible for the liabilities attributable to the home such as the state and local property taxes, payments for services such as trash collection at the home, and assessments for local benefits such as sidewalk construction) associated with owning the home.

Instead of referring to a taxpayer's home, the Internal Revenue Code (Code) and Income Tax Regulations (regulations) utilize terms such as "principal place of abode", "qualified residence", and "principal residence". For example, the term principal residence is used to determine whether a taxpayer is eligible for the \$250,000 exclusion of gain on the sale of a home under § 121 of the Code. The term qualified residence is used to determine whether a taxpayer is eligible for the mortgage interest deduction under § 163. The term homeowner is not defined in either the Code or the regulations

but, when used, is likely intended to mean someone who has the benefits and burdens of ownership of the property.

Although a homeowner eligible for the homestead exemption in Louisiana could qualify for many of the tax benefits referred to in Publication 530, such determination would depend on the specific facts and circumstances of each individual situation.

I hope you find this information helpful. Please contact _____ at _____ if you need assistance determining whether you are entitled to one of the homeowner benefits discussed in Publication 530.

Sincerely,

Michael J. Montemurro
Branch Chief, Branch 4
(Income Tax & Accounting)