

## Settlement Costs on Sale or Purchase of Real Estate

*See also IRS Pubs. 523, 527, 544 and 551*

Settlement Costs	Principal Residence		Business/Investment Property	
	<i>Seller</i>	<i>Buyer</i>	<i>Seller</i>	<i>Buyer</i>
Attorneys' fees in connection with obtaining mortgage	Selling Expense <sup>1</sup>	Not Deductible	Selling Expense <sup>1</sup>	Amortize Over Mortgage
Attorneys' fees in connection with obtaining property	Selling Expense <sup>1</sup>	Increase Basis	Selling Expense <sup>1</sup>	Increase Basis
Closing costs incident to procuring a mortgage ( <i>credit report, appraisal, mortgage insurance, VA funding fee, loan assumption fee</i> )	Selling Expense <sup>1</sup>	Not Deductible <sup>2</sup>	Selling Expense <sup>1</sup>	Amortize Over Mortgage
Commissions	Selling Expense <sup>1</sup>	Increase Basis	Selling Expense <sup>1</sup>	Increase Basis
Condo fees	Not Deductible	Not Deductible	Deduct	Deduct
Escrow for utility bills, insurance, etc.	Not Deductible	Not Deductible	Deduct <sup>5</sup>	Deduct <sup>3</sup>
Fire/casualty insurance premium	Not Deductible	Not Deductible	Deduct	Deduct
Interest	Deduct	Deduct	Deduct	Deduct
Loan origination fees or "points" <sup>4</sup>	Selling Expense <sup>1</sup>	Deduct <i>Even when paid by seller<sup>5</sup></i>	Selling Expense <sup>1</sup>	Amortize Over Mortgage <i>Even when paid by seller<sup>5</sup></i>
Loan processing fee	Selling Expense <sup>1</sup>	Not Deductible	Selling Expense <sup>1</sup>	Amortize Over Mortgage
Miscellaneous abstracts of title, surveys, recording of deed, etc.	Selling Expense <sup>1</sup>	Increase Basis	Selling Expense <sup>1</sup>	Increase Basis
Real estate taxes	Deduct	Deduct	Deduct	Deduct
Pre-sale real estate taxes and/or back interest owed by seller and paid by buyer	Deduct	Increase Basis	Deduct	Increase Basis
Rent income	Not Applicable	Not Applicable	Income	Income
State stamp taxes and transfer taxes	Selling Expense <sup>1</sup>	Increase Basis	Selling Expense <sup>1</sup>	Increase Basis
Tax service fees	Selling Expense <sup>1</sup>	Increase Basis	Selling Expense <sup>1</sup>	Increase Basis
Title policy fees or title insurance	Selling Expense <sup>1</sup>	Increase Basis	Selling Expense <sup>1</sup>	Increase Basis
Utility service installation	Selling Expense <sup>1</sup>	Increase Basis	Selling Expense <sup>1</sup>	Increase Basis

<sup>1</sup> Reduce selling price to arrive at amount realized.

<sup>2</sup> Mortgage insurance is deductible with limits. See [Mortgage Insurance Premiums on Page 5-11](#).

<sup>3</sup> When paid from escrow account to payee.

<sup>4</sup> See [Points—Mortgages on Page 5-9](#).

<sup>5</sup> Must reduce basis in real property acquired.