

# HOME MORTGAGE INTEREST DEDUCTION

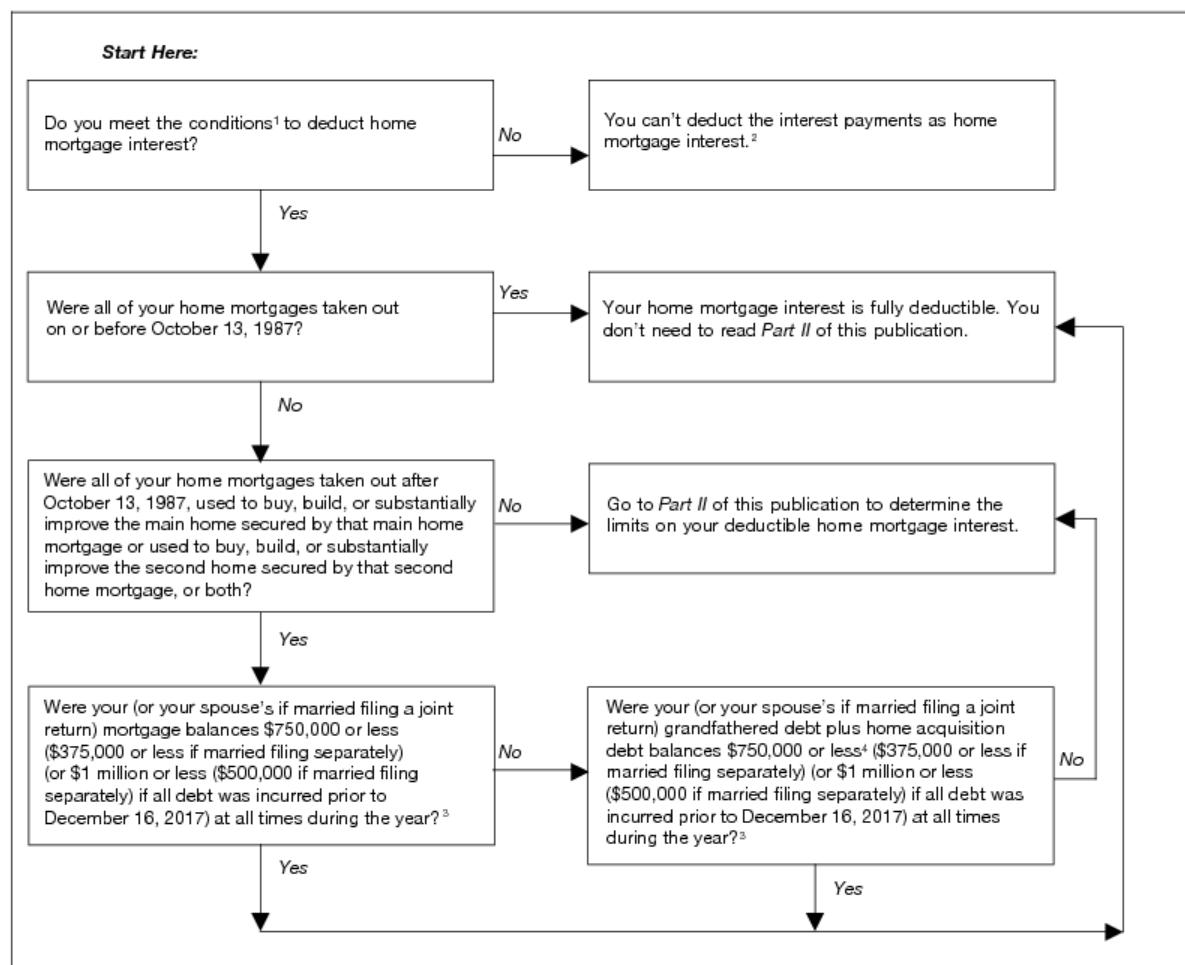
Mortgage interest deduction can help reduce your taxable income. If you itemize, you may be able to deduct the interest paid on a mortgage for your primary or secondary home. Here are restrictions you need to be aware of:

- Loans originating after December 15, 2017, will be limited to a maximum amount of debt of \$750,000. Some existing homeowners will be “grandfathered” under the old rules for acquisition debt. You can still deduct all the mortgage interest allowable on debt up to the \$1 million threshold if you qualify.
- The deduction for interest paid on home equity debt must be used to “buy, build, or substantially improve” your home. This requirement applies from 2018 through 2025. It doesn’t matter when the residence was acquired.

Below is a chart from the Internal Revenue Service to check if your home mortgage interest is fully deductible.

**Figure A. Is My Home Mortgage Interest Fully Deductible?**

(Instructions: Include balances of **ALL** mortgages secured by your main home and second home.)



<sup>1</sup> You must itemize deductions on Schedule A (Form 1040). The loan must be a secured debt on a qualified home. See Part I, Home Mortgage Interest, earlier.

<sup>2</sup> See Table 2 in Part II of this publication for where to deduct other types of interest payments.

<sup>3</sup> A taxpayer who enters into a written binding contract before December 15, 2017, to close on the purchase of a principal residence before January 1, 2018, and who purchases such residence before April 1, 2018, is considered to have incurred the home acquisition debt prior to December 16, 2017, and may use the 2017 threshold amounts of \$1,000,000 (\$500,000 for married filing separately).

<sup>4</sup> See Part II of this publication for more information about grandfathered debt and home acquisition debt.