

# WHEN IS MORTGAGE INTEREST TAX DEDUCTIBLE?

CONTRARY TO POPULAR BELIEF, MORTGAGE INTEREST IS NOT ALWAYS TAX-DEDUCTIBLE. HERE'S THE INSIDE SCOOP.

1

## DO YOU ITEMIZE YOUR TAX DEDUCTIONS?

You cannot take the mortgage interest deduction if you are taking the standard deduction. For 2024 tax returns, the standard deduction is \$14,600 for single taxpayers, \$21,900 for heads of household, and \$29,200 for married taxpayers filing a joint return. This is up from the 2023 levels of \$13,850 for single taxpayers, \$20,800 for heads of household, and \$27,700 for married taxpayers filing a joint return. Please see a CPA for details.

2

## IS YOUR HOME A "QUALIFIED RESIDENCE"?

Mortgage interest is only deductible if the mortgage is attached to a "qualified residence". Taxpayers can generally deduct the mortgage interest on two qualified homes: one primary home and one vacation home.

3

## IS YOUR MORTGAGE CLASSIFIED AS "ACQUISITION INDEBTEDNESS"?

Your mortgage or home equity line of credit is considered "acquisition indebtedness" if it was used to buy, build, or improve a qualified residence. Generally, you can deduct the interest on mortgage balances up to \$750,000 of Acquisition Indebtedness. Here are two examples:

- Jane buys her \$500,000 primary residence using a \$400,000 mortgage. Jane would be able to deduct the interest on the \$400,000 mortgage as acquisition indebtedness because (1) the mortgage was to buy a qualified residence; and, (2) the mortgage falls within the \$750,000 limit.
- Janice buys her \$500,000 primary residence with cash. A year later, Janice does a cash-out refinance and puts a \$400,000 mortgage on the home. The funds are not used for home improvements. Janice would NOT be able to deduct the interest on the new \$400,000 mortgage because the funds were not used to buy, build, or improve the house.

4

## \$1MM ACQUISITION DEBT LIMIT ON PRE-2017 LOANS.

Your acquisition debt limit is \$1 million if you closed on your home loan prior to December 16, 2017, and the loan qualified as acquisition indebtedness at that time. You can keep that \$1 million limit if you refinance that home loan as long as you do not increase the current balance on the loan. For example, if your current balance is \$950,000, the new loan you're refinancing into can't be more than \$950,000. This is also true when consolidating or refinancing a home equity loan or line of credit taken out prior to December 16, 2017, as long as you used that home equity loan to buy, build, or improve a qualified residence. In that case, your combined aggregate total limit would be \$1 million, whether you keep both loans separate, or whether you consolidate them into a single loan.

## DISTINCTION BETWEEN A QUALIFIED RESIDENCE AND AN INVESTMENT PROPERTY.

Everything mentioned above pertains to a mortgage transaction involving a primary home or vacation home that is elected as a “qualified residence” for tax purposes. If your transaction involved an investment property, see [IRS Publication 527](#).

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Contact me  
for more info



**\$750,000**

You can deduct the interest on  
mortgage balances up to  
\$750,000.  
(If you follow the rules outlined  
above.)

Source: **Momentifi**



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