

How mortgage points may affect your taxes

If you're in the process of buying a home, or you bought one earlier this year, you probably know that you may be able to claim the property tax deduction and the mortgage interest deduction when you file your next income tax return. But you might not be so sure about mortgage points paid.

The good news is that qualifying points may be deductible on your 2026 return, subject to various rules and limits. You might also be able to deduct points if you took out a loan to build a new home or purchase a second home — and in a few other circumstances.

When are points deductible?

Points are upfront fees charged by a mortgage lender, expressed as a percentage of the loan principal. Points that a buyer pays in conjunction with a loan that's eligible for the home mortgage interest deduction are generally deductible as mortgage interest. However, to claim the deduction, the buyer must itemize deductions rather than take the standard deduction.

For an immediate deduction, points generally must meet IRS requirements for a loan to buy or build your main home. If you don't meet the requirements for an immediate deduction, deductible points generally are deducted over the life of the loan.

What additional rules apply?

There are some additional limitations on the rule allowing a deduction for points:

- No deduction is available for points allocable to the part of a mortgage above the debt limit for the mortgage interest deduction: $750,000 ($375,000 for married taxpayers filing separately) for debt incurred after December 15, 2017. (Higher limits apply to debt incurred earlier.)
- Points on a loan used to substantially improve your main home may be deducted in the year paid if applicable IRS tests are met.
- Points on a loan used to buy a second home generally are deducted over the life of the loan.
- Points paid on a refinancing generally are deducted over the loan's term, though an exception may apply to proceeds used for a substantial improvement to your main home.
- Points paid on a home equity loan or line of credit may be deductible if proceeds are used to substantially improve the home securing the loan.

Points charged instead of separately stated fees for services, such as appraisal or title fees, *aren't* deductible as mortgage interest.

What if the seller pays the points?

Points are usually the buyer's obligation. However, a seller sometimes sweetens a deal by agreeing to pay the points on the buyer's mortgage loan. And seller-paid points may also be deductible.

Suppose, for example, that you bought a home in 2026 for $600,000. In connection with a $500,000 mortgage loan, your bank charged two points, or $10,000. The seller agreed to pay the points to close the sale.

If the points meet the requirements for an immediate deduction, you may deduct the $10,000 on your 2026 federal income tax return, provided you itemize and the mortgage debt limit doesn't restrict the deduction.

The seller-paid points reduce your tax basis to $590,000, which will mean more gain if you sell the home for more than that amount. But that may not happen until many years later, and the gain may not be taxable anyway. You may qualify for an exclusion of up to $250,000 ($500,000 for a married couple filing jointly) of gain on the sale of a principal residence.

Review the details

Your settlement statement and loan terms can help determine when the points may be deducted and whether mortgage limits affect the amount. If you paid or expect to pay points this year (or a seller has paid or will pay points on your behalf), we can review the details with you to help assess your potential tax savings.

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