

# Taxes & Home Ownership:

## What Interest Can You Deduct?

As you think about your tax strategy, it's important to be updated on what type of interest you can or can't deduct when it comes to your home or a line of credit.

### Interest Deduction Limits

The current limits in place for how much home mortgage limits you can deduct will revert back to previous limits after 2025. Here's a summary of current deduction limits.

- **Acquisition indebtedness is debt incurred when acquiring, constructing or substantially improving a qualified residence.** This amount is used as one factor in determining tax liability for passive income on investment properties. It also relates to tax deductions, such as mortgage interest paid on a loan, for the acquisition of a primary residence.

You can deduct home mortgage interest on the first \$750,000 (\$375,000 if married filing separately) of indebtedness. However, higher limitations of \$1 million (\$500,000 if married filing separately) apply if you are deducting mortgage interest from indebtedness incurred before Dec. 16, 2017.

That means a taxpayer who entered into a binding written contract before Dec. 15, 2017 to close on the purchase of a principal residence before Jan. 1, 2018, and who purchased the residence before April 1, 2018, is considered to have incurred acquisition indebtedness prior to Dec. 15, 2017, and indebtedness is grandfathered under the older \$1 million limit.

- **Home equity indebtedness is any debt other than acquisition indebtedness that is secured by the taxpayer's residence.** No matter when the indebtedness was incurred, you can no longer deduct the interest from a loan secured by your home to the extent the loan proceeds weren't used to buy, build, or substantially improve your home. However, if a home equity loan is used to substantially improve a qualified residence or acquire a second home, it may still be deductible.

The above rules apply to tax years 2018 through 2025.

### SALT Deductions

Keep in mind, though, that some of the items you may have deducted prior to 2017, currently have monetary limits or are no longer able to be deducted. For example, state and local income taxes (SALT) are limited to \$10,000, and you can only claim this deduction if you itemize your tax return. The limit also applies to tax years 2018 to 2025.



## Talk With Your Advisor

Your wealth advisor at Mariner Wealth Advisors along with our tax professionals can discuss these limitations further and how they apply to your specific tax situation with the goal of minimizing your tax burden.



For more information visit: [marinerwealthadvisors.com](https://marinerwealthadvisors.com)

### Sources:

[IRS Publication 936.](#)

["IRS Explains Treatment of State & Local Tax Refunds."](#)

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