

CAN I STILL DEDUCT MY HOME MORTGAGE INTEREST?

By: JILL COOPER, CPA

As the new tax law continues to unfold, we are finding changes to many of the deductions that we have come to depend upon over the past few years. There are changes to the deductibility on the taxes we pay to the state and local governments. We can no longer deduct investment expenses, tax preparation fees or union dues.

In addition, there are significant changes to the deductibility of home mortgage interest. Through 2017, a taxpayer could deduct the interest on acquisition debt for a primary residence and one vacation home up to a limit of \$1,000,000. The new tax law reduces this upper limit to \$750,000. Deductibility of interest on debt incurred prior to 01/01/2018 has been grandfathered in.

In addition to this change, the deductibility of interest on loans secured by your home has changed. For example, let's say you had borrowed \$250,000 when your home was first purchased and had paid off \$50,000 of the original acquisition debt. Then you refinance your home and draw out \$75,000 in additional funds to buy a car and pay for a wedding. Previously, you would have been able to deduct the interest on the entire \$275,000 of your refinanced debt. With the tax law changes, you can now only deduct the interest on \$200,000, the part of the refinancing associated with the original acquisition debt.

Home equity lines of credit have been very popular for the past few years and have been used for debt consolidation, car financing, home improvements, college funding, etc. Interest on this type of debt has been deductible as long as total debt was under the \$1,000,000 threshold. Beginning in 2018, the deductibility of interest on new home equity debt, as well as loans established in previous years, may be suspended completely.



Final regulations have not been issued regarding this tax bill. If you have any questions about the changes found in the Tax Cuts and Jobs Act, please contact your Conner Ash Account Manager or [Jill Cooper, CPA](mailto:jcooper@connerash.com), at (314) 205-2510 or via email at jcooper@connerash.com.