



Itemized Deductions Homeowners

Sprague & Jackson

ACCOUNTANTS AND ENROLLED AGENTS
The Seneca Building • 121 E Seneca St • Ithaca, NY 14850

David W. Sprague, EA, ABA Principal
Angie Jackson, EA, MSA Principal

Phone: (607) 273-5322
Fax: (607) 273-8138
Email: Admin@sprjac.com

Itemized Deductions for Homeowners

The IRS defines a home as any house, condominium, co-operative, mobile home, boat, or similar property that has sleeping space, toilet facilities, and cooking facilities. Homeowners may qualify for the following deductions.

Real Estate Taxes

You can deduct real estate taxes assessed on all the U.S. real estate you own. You are not limited to the tax on just one or two homes.

- Only the amount actually paid for tax is deductible. Do not confuse this amount with deposits made to your mortgage escrow account.
- Foreign property taxes are not deductible.
- Charges for trash collection, sewer, etc., are sometimes added to real estate tax bills. These amounts are not deductible as real estate taxes.
- Special assessments are sometimes added to real estate tax bills. Assessments are not necessarily deductible as real estate taxes.

Assessment	Tax Treatment	Example
Improvement Assessment	<ul style="list-style-type: none"> • Tend to increase property value. • Not deductible. Add to basis. 	Assessment to build new sidewalk.
Maintenance Assessment	<ul style="list-style-type: none"> • Maintain existing public facilities already in use. • Deduct as real estate taxes. 	Assessment to repair existing sidewalk.
Interest Charges	<ul style="list-style-type: none"> • Deduct as real estate taxes if charged on deductible assessment. • Not deductible on late payment of real estate taxes. 	Interest charged on unpaid portion of assessment.

- The total deduction for all state and local taxes (including income taxes) is limited to \$10,000 (\$5,000 MFS).

Mortgage Interest

If you borrow money to buy, build, or substantially improve your main or second home, the mortgage interest may be claimed as an itemized deduction.

Form 1098

Your lender will generally give you Form 1098, *Mortgage Interest Statement*, to tell you how much interest you have paid for the tax year.

- An explanation must be attached to your tax return if the amount shown on Form 1098 is different from the deducted amount or if more than one person paid deductible mortgage interest (other than a spouse filing jointly).
- If you did not receive Form 1098, you must provide the name, identifying number, and address of the interest recipient.

Home Mortgage

A home mortgage is any loan secured by your main or second home, including first and second mortgages, home equity loans, and refinanced loans. The loan must be legally recorded, with the home as collateral for the debt. You must be legally liable to make the payments. For example, if you borrow money from your parents to make a down payment on your home, you cannot deduct the interest you pay them unless the loan is legally recorded with the home as collateral.

Limits

You may generally deduct the mortgage interest on your main home and a second home, up to the limits described below.

- A loan secured by a third home is a personal loan and the interest is not deductible. Interest on a third home used exclusively for business might be deductible as a business expense.