



# Itemized Deductions

## Interest Paid

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### Interest That Is Deductible as an Itemized Deduction

- Home mortgage interest paid that is acquisition debt, subject to limitations.
- Points and loan origination fees to obtain a mortgage or to refinance a mortgage.
- Investment interest paid, such as margin interest on a brokerage account.

### Interest That Is Not Deductible as Itemized Deductions

- Interest on home equity debt (debt not used to buy, build, or substantially improve a home).
- Personal interest, such as credit card interest on nonbusiness purchases, auto loans on vehicles not used for business, and mortgage interest on a third home.
- Business interest is deductible against business income. Business interest is not deductible as an itemized deduction even if it is for employee business expenses. **Example:** Interest on a car loan where an employee uses the vehicle for business is nondeductible as personal interest.
- Interest on qualified student loans is deductible on Schedule 1 (Form 1040), *Additional Income and Adjustments to Income*, rather than Schedule A (Form 1040).
- Investment interest on debt used to purchase or carry tax-exempt investments, such as municipal bonds.

### Home Mortgage Interest Paid

#### Secured Debt

A home mortgage is any loan that is secured by your main or second home as collateral for the loan. Home mortgages include first and second mortgages, and refinanced mortgages. A loan secured by your third home is considered a

personal loan, unless the third home is used exclusively for business (such as rental property) or investment purposes (such as an inherited house that sits vacant until sold). Debt not secured by the property is personal debt. For example, interest paid on money borrowed from parents for the down payment to purchase a home is personal interest, unless the parents record the loan under state or local law and the home is collateral for the loan.

#### Home Defined

A home is defined as any house, condominium, cooperative, mobile home, boat, or similar property with basic living accommodations including, sleeping, toilet, and cooking facilities.

#### Grandfathered Debt

- Mortgage taken out on or before October 13, 1987.
- Interest paid on grandfathered debt is fully deductible regardless of what the funds were used for.

#### Acquisition Debt

Mortgages taken out after October 13, 1987, to buy, build, or substantially improve a main or second home.

- **Acquisition debt incurred after December 15, 2017:** Total acquisition debt on main and second home combined is limited to \$750,000 (\$375,000 Married Filing Separately). Limit is reduced by any grandfathered debt.
- **Acquisition debt incurred before December 16, 2017:** Total acquisition debt on main and second home combined is limited to \$1 million (\$500,000 Married Filing Separately). Limit is reduced by any grandfathered debt.