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| **Deducting HELOC & Home Equity Loan Interest**    When it comes time to file your taxes, consult with your CPA, personal tax preparer, or tax attorney to make sure that these specific guidelines can apply to your situation.  Most of your monthly payments go toward the interest rather than paying down the principal in the first years of the loan's life. The longer you have a home, the less interest you pay. The less interest you pay, the lower your tax deduction.  **You can deduct the interest on your mortgages and on your HELOC or home equity loans - to a specific limit.**  You can deduct the interest of a HELOC or home equity loans or mortgages for $1 million or less, as long as it is not for more than two residences.  You can have two separate homes with $500,000 mortgages; a $900,000 mortgage on one and $100,000 on the other, or a $1 million mortgage on one house: any combination that adds up to $1 million.  There is a limit to the total on a HELOC or home equity loan of $100.000.  In regards to a HELOC or home equity loan or loans it is the same. The interest on the first $100,000 is deductible, whether it be one or more loans on one or two homes. A "second home" can also be a trailer, a boat, or an RV.  If you have a $2 million mortgage on your home, the interest on the second million is not deductible.  Interest payments are deductible. Penalties that get added to late payments are not deductible.  As stated in the beginning of this article, When it comes time to file your taxes, be sure to consult with your CPA, personal tax preparer, or tax attorney to make sure that these specific guidelines can apply to your situation. |