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ASK THE EXPERT

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When can you deduct a home mortgage?

I'm confused about when you can deduct a home mortgage, specifically for a second home or a vacation home. Are there limits?

If you own a home, the interest you pay on your home mortgage provides one of the best tax breaks available. However, many taxpayers believe that any interest paid on their home mortgage loan is deductible.

As an itemized deduction, you can deduct interest from two residences: your primary home and one other vacation home. You cannot deduct mortgage interest with

respect to a third home.

However, this deal comes with strings attached. You can't deduct the interest for mortgage debt greater than \$1 million. The rest is considered personal interest. The \$1 million ceiling includes both your primary residence and your second home combined. Many taxpayers assume they can deduct \$1 million from each mortgage.

The rules are different for home-equity loans, which are secured by your principal or second residence. Home-equity debt is limited to the lesser of \$100,000 or the equity in your home. The interest is deductible regardless of how you use the loan proceeds.

CONTACT US:

DO YOU HAVE A
QUESTION ON
ANY MONEY OR
PERSONAL FINANCE
ISSUES? WE'LL
FIND AN EXPERT
TO ANSWER IT.
E-MAIL US AT
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