

TAX ADVISORY

IRS Raises Mortgage Interest Deduction Limit to \$1.1 Million

Our Tax Team

October 13, 2009



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Dear clients and friends:

The IRS has raised the maximum amount of a mortgage on which interest payments can be tax deductible from \$1 million to \$1.1 million by permitting taxpayers to treat up to \$100,000 of an acquisition loan as home equity debt. The IRS Office of the Chief Counsel on August 7, 2009 issued Memorandum [CCA 200940030](#), which reinterprets the definition of “acquisition indebtedness.” The change will provide a tax benefit for many homeowners who have a first mortgage of more than \$1 million but do not have any home equity debt that qualifies for deductions.

The [U.S. Tax Code's Section 163](#) permits deductibility on up to \$1 million of “acquisition indebtedness” for acquisition, construction or substantial improvement of a qualified residence. The Tax Code also permits separate deductibility of up to \$100,000 on “home equity indebtedness.”

The new IRS interpretation supersedes several U.S. Tax Court rulings, which did not permit taxpayers to treat any portion of acquisition indebtedness above \$1 million as home equity indebtedness.

For those taxpayers the new IRS interpretation allows interest on up to \$1.1 million of mortgage debt to be deductible by treating \$1 million as acquisition indebtedness and \$100,000 as home equity indebtedness, because it is other debt secured by the home.

If you would like additional information on IRS rules on mortgage interest deduction, do not hesitate to contact us at (305) 373-5500.

Sincerely,



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