



Itemized Deductions Homeowners

My Tax Guy
20412 32nd Dr SE
Bothell, WA 98012
(425) 893-9609
www.My-Tax-Guy.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.

- For 2026, the total deduction for all state and local taxes (including income taxes) is limited to \$40,400 (\$20,200 MFS).

Mortgage Interest

If you borrow money to buy, build, or substantially improve your main or second home, the mortgage interest may qualify to 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.

continued



Itemized Deductions Homeowners

- Your mortgage interest deduction is limited, based on the type of debt you have. **Note:** Slightly different rules apply to mortgages taken out before October 14, 1987.

Debt Type and Limit	Definition
<ul style="list-style-type: none">Acquisition debt combined on main and second home:<ul style="list-style-type: none">After December 15, 2017: \$750,000 (\$375,000 MFS).Before December 16, 2017: \$1,000,000 (\$500,000 MFS).	Used to buy, build, or substantially improve a main or second home.
<ul style="list-style-type: none">Home equity debt: not deductible unless used to buy build, or substantially improve the home that secures the loan.	Debt secured by a main or second home. May or may not be acquisition debt.

Refinanced Loans

Debt that is refinanced generally retains its character as acquisition or home equity debt, up to the old loan balance.

- Debt used to substantially improve your home is acquisition debt, even if it is refinanced home equity debt.
- The \$1,000,000 (\$500,000 MFS) limitation applies to any indebtedness incurred after December 15, 2017, to refinance qualified residence indebtedness incurred before that date to the extent the amount of the indebtedness resulting from the refinancing does not exceed the amount of the refinanced indebtedness. Accordingly, the maximum dollar amount that may be treated as principal residence acquisition debt will not decrease due to a refinancing.

Points

Terms such as points, loan discount, loan origination fees, etc., refer to certain charges you might pay in order to obtain a mortgage. If you pay points to borrow money, the points are deductible as prepaid interest.

- Points you pay at the time of your home purchase are deductible in full over the life of your loan.
- Points you pay to the lender in exchange for a lower interest rate are generally shown on your closing statement. Each point charged to obtain a loan is 1% of the loan amount. For example, 2.5 points charged on a \$100,000 loan equals \$2,500 ($\$100,000 \times 2.5\%$).
- Fees your lender charges for specific loan services are not deductible. Examples include appraisal, notary, and document fees.

This brochure contains general information for taxpayers and should not be relied upon as the only source of authority. Taxpayers should seek professional tax advice for more information.

Copyright © 2026 Tax Materials, Inc.
All Rights Reserved

Mortgage Insurance Premiums

For tax years beginning after 2025, premiums paid or accrued for qualified mortgage insurance in connection with acquisition debt is treated as qualified residence interest. The deduction begins to phase out when your adjusted gross income (AGI) for the tax year exceeds \$100,000 (\$50,000 MFS).

Medical Expense Deduction

You may need to make home improvements in order to provide medical care for yourself, your spouse, or your dependent. **Examples:** (1) Lifts or elevators, (2) therapy pool for help with a specific medical condition, (3) bathroom or countertop modifications to accommodate a person with a disability, (4) ramps, handrails, support or grab bars, (5) modifications to halls and doorways.

An expense may generate a medical deduction to the extent the expense does not result in an increase to the home's value. Not every expense results in such an increase.

Example: Denny has a heart ailment. On his doctor's advice, he installed an elevator so that he does not have to climb stairs. The elevator cost \$8,000. An appraisal of his home shows that after installation, the elevator increased the value of his home by \$4,400. Denny can deduct \$3,600 of the home improvement cost as a medical expense.

Operation and upkeep. Amounts you pay to operate and maintain a medically-related home improvement qualify as medical expenses, if the main reason is for medical care. This is true even if only part or none of the asset cost qualified for a deduction.

Other Itemized Deductions

Casualty and Theft Losses

If your home is damaged or destroyed in a federally-declared or state-declared disaster, you may have a casualty loss. Losses are calculated on Form 4684, *Casualties and Thefts*.

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 73.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of \$5,000.