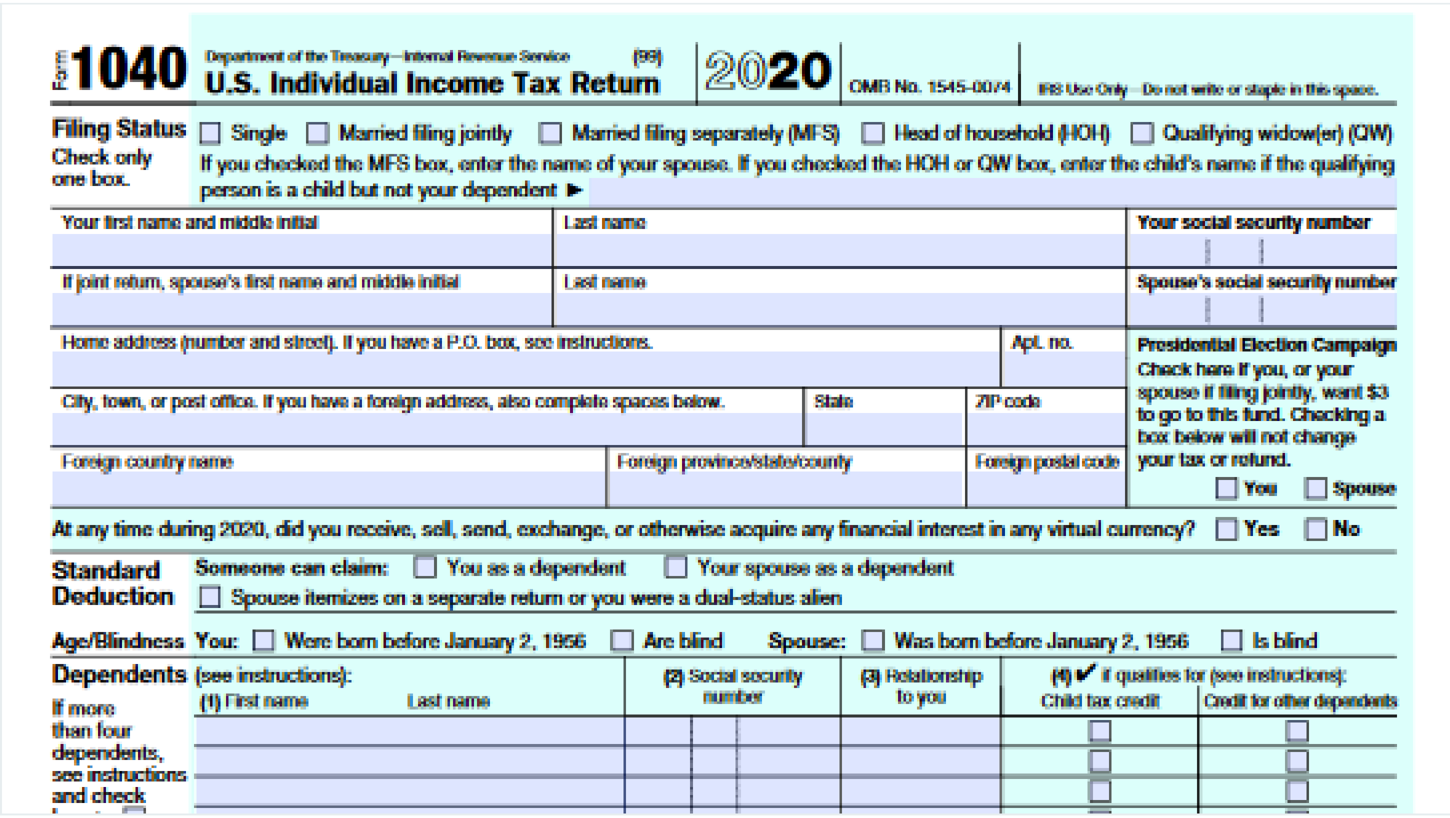
the fall-out isn't as bad as it first seems. Most taxpayers can continue to deduct ...

May. 02, 2022



Form 1040 Department of the Treasury—Internal Revenue Service (99)
U.S. Individual Income Tax Return 2020 OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status Check only one box. ☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)
If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ►

Your first name and middle initial | Last name | Your social security number
If joint return, spouse's first name and middle initial | Last name | Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions. | Apt. no.
City, town, or post office. If you have a foreign address, also complete spaces below. | State | ZIP code
Foreign country name | Foreign province/state/county | Foreign postal code

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? ☐ Yes ☐ No

Standard Deduction Someone can claim: ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: ☐ Were born before January 2, 1956 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1956 ☐ Is blind

Dependents (see instructions): If more than four dependents, see instructions and check

(1) First name Last name	(2) Social security number	(3) Relationship to you	(4) ✔ if qualifies for (see instructions): Child tax credit	Credit for other dependents
			☐	☐
			☐	☐
			☐	☐

Among numerous other changes, the Tax Cuts and Jobs Act (TCJA) chipped away at several tax breaks for individuals, including the deduction for mortgage interest. But the fall-out isn't as bad as it first seems.

Most taxpayers can continue to deduct most, if not all, of the mortgage interest that they pay during the year. Furthermore the TCJA crackdown on applies to deductions claimed in 2018 through 2025.

Background: Prior to the TCA, you could deduct the interest paid on either (1) acquisition debt or (2) home equity debt, or both, within generous limits.

1. **Acquisition debt:** Acquisition debt is debt where you use the mortgage proceeds to

In addition, certain deductions—including the one for mortgage interest—were reduced for high-income taxpayers under the "Pease rule."

Of course, the mortgage interest deduction is only available if you itemize. The TCJA temporary increased the standard deduction so more taxpayers are taking this route.

The TCJA includes the following changes relating to mortgage interest deductions.

- The threshold for deducting interest paid on acquisition debt falls from 1 million to $750,000 for loans originating after December 15, 2017 (or April 1, 2018 if there was a binding contract in place before December 16, 2017). Thus, some existing homeowners are "grandfathered " under the old rules for acquisition debt. If you qualify, you can still deduct all the mortgage interest allowable up to the $1 million threshold.
- The deduction for interest paid on home equity debt is suspended from 2018 through 2025. It doesn't matter when you acquired the residence.
- The Pease rule is also suspended for 2018 through 2025. It is scheduled to return in 2026, barring any new legislation.

Fortunately, the TCJA changes don't hamper many homeowners, while others are affected only slightly. Furthermore, you might be able to take advantage of a special tax break

How it works: If you incur a new home equity loan or line of credit and use the proceeds for significant home improvements, the debt may be treated as an acquisition debt rather than a home equity debt. Reason: The debt is being incurred to "substantially improve" a qualified residence. Thus, you can add this mortgage interest to your deductible total if you still itemize deductions

It’s important for itemizers to maximize their mortgage interest deduction under the