The Home-equity Mortgage Deduction is back!

President Donald Trump’s new tax law set off a number of huge alarms throughout the economy for the home improvement and construction industry, as well as the lending industry relating, and homeowners relating to the loss of the home equity mortgage deduction.

The legislation passed in December ostensibly eliminated the deduction for the interest paid for home-equity loans.

After substantial pressure from lobbying groups, surprisingly the Internal Revenue Service has come to the rescue by clarifying that borrowers can still use the deduction as long as it’s for home improvements.

**Deduction for the interest relating to a home equity loan used for any other purpose other than home improvement will not be deductible.**

The IRS guidance on home-equity debt is just the latest example of the agency’s cleanup effort in the wake of the poorly conceived and hastily crafted tax legislation passed in December, more on political lines than what was sound economics for the country.

Various industries and tax professionals are still struggling to understand its provisions and interpret lawmakers’ intentions on changes including the pass-through deduction and international tax measures.
Since the end of last year, the IRS has been issuing press releases specifying how they will interpret the legislation in an effort to avoid the confusion that the new laws have created.

One of the other provisions that caused great consternation was the prohibition that homeowners could not deduct prepaid property taxes. The IRS has clarified that issue in favor of taxpayers despite the verbiage in the legislation that was passed.

An IRS spokesman stated that the IRS response came after a multitude of inquiries ranging from the home improvement industry, home owner groups, as well as the lending industry, all with concerns of the wide ranging negative impact that the legislation would have on the economy.

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