

REAL ESTATE



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Q If I refinance my home to make some home improvements and pay some personal loans, is the interest deductible?

A Up to \$1 million of acquisition cost or debt to substantially improve a qualified residence indebtedness, plus up to \$100,000 of home equity indebtedness, is fully deductible for regular tax purposes. Interest on debt used to refinance earlier indebtedness that meets the definition of acquisition indebtedness is deductible, but only to the extent of the balance of the original acquisition indebtedness at the time of refinancing. Accordingly, if you borrow more than the balance of your original acquisition and/or improvements loan (plus up to \$100,000 of home equity indebtedness) the interest attributable to the funds used to pay for personal debt in excess of the \$100,000 home equity loan is not deductible.

Contact us if you would like us to help you structure your refinance needs to maximize your interest deduction.