

Deducting the Cost of Refinancing Your Home

Taxpayers who refinanced their homes may be eligible to deduct some costs associated with their loans.

The term "points" is used to describe certain charges paid to obtain a home mortgage.

Here are some things to remember when deducting points:

- Generally, for taxpayers who itemize, the “points” paid to obtain a home mortgage may be deductible as mortgage interest
- Depending on circumstances, points can be fully deductible in the year paid
- Points paid solely to refinance a home mortgage usually must be deducted over the life of the loan

For a refinanced mortgage, the interest deduction for points is determined by dividing the points paid by the number of payments to be made over the life of the loan. This information is usually available from lenders. Taxpayers may deduct points only for those payments made in the tax year.

However, if part of the refinanced mortgage money was used to finance improvements to the home and if the taxpayer meets certain other requirements, the points associated with the home improvements may be fully deductible in the year the points were paid. Also, if a homeowner is refinancing a mortgage for a second time, the balance of points paid for the first refinanced mortgage may be fully deductible at pay off.

Other closing costs – such as appraisal fees and other non-interest fees – generally are not deductible. Additionally, the amount of Adjusted Gross Income can affect the amount of deductions that can be taken.

For more information on deductions related to refinancing, visit [IRS.gov](https://www.irs.gov) for Tax Topics 504, Home Mortgage Points, and 505, Interest Expenses. You may also review IRS Publication 936, Home Mortgage Interest Deduction, available at [IRS.gov](https://www.irs.gov) or by calling 1-800-TAX-FORM (1-800-829-3676).