



YOUR PERSONAL INCOME TAXES

With a lower interest rate on your home loan, you will have less interest to deduct on your income tax return. That, of course, may increase your tax payments and decrease the total savings you might obtain from a new, lower-interest mortgage.

You should be aware of an Internal Revenue Service (IRS) ruling with respect to points paid solely for refinancing your home mortgage. IRS regulations require that interest (points) paid up front for refinancing must be deducted over the life of the loan, not in the year you refinance, unless the loan is for home improvements. This means that if you paid a certain number of points, you would have to spread the tax deduction for those points over the life of the loan. If, however, the loan or a portion of the loan is for home improvements, you may be able to deduct the points or a portion of the points. Check with the IRS regarding the current rulings on refinancing, particularly if you are using the new loan to make home improvements.