



“The Tax Implications of Debt”

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Some expenses related to your debt burden can help to offset the taxes you pay. In particular, the interest you pay each year on your mortgage can be listed as an itemized deduction. Although you will not be able to deduct 100% of it, on average, mortgage interest exceeds any other tax write off. During the initial years of your mortgage (30-year or 15-year) the interest you pay is a large percentage of the total amount paid each year so the interest write-off is usually significant.

If you have been paying on your loan for enough years that the tax portion is negligible, you can get a home equity loan (your home is the security and the amount of equity you have determines the amount you can borrow) for home improvements, and the interest on this loan is deductible. Even those the money may be used for non-home-related expenses, you can deduct the interest.

You can also obtain a Home Equity Line of Credit, which is a form of revolving credit with your home serving as collateral. You can use this money for various things and all of the interest you pay on the balance is tax deductible.

For either of these options, you can access an online loan calculator to run various scenarios where you can project what your interest expense will be on different loan amounts and thus better understand the tax benefits you can gain. Some tax software will guide you through the process with questions and will help you determine the benefits based on your answers.