

Deducting accrued home mortgage interest

 accountantforums.com/threads/deducting-accrued-home-mortgage-interest.15376

Discussion in 'Tax' started by Brian, Mar 25, 2006.



1. Brian *Guest*

I am having a spirited discussion with one of my colleagues about the deduction for home mortgage interest. I have always believed that in order to deduct mortgage interest it must be paid. He has directed me to IRS Code Section 163 which says:

Code section 163

(A) In general. The term "qualified residence interest" means any interest which is paid OR ACCRUED during the taxable year on—

(i) acquisition indebtedness with respect to any qualified residence of the taxpayer, or

(ii) home equity indebtedness with respect to any qualified residence of the taxpayer.

Obviously, I added the caps for emphasis. If this means what it says, can a taxpayer merely sign a new note each year for the unpaid interest and take a deduction? Or is this a case of, you can take a deduction for accrued interest if you happen to be a cash basis individual?

Please refer me to any section of the code that might clarify this issue.

Thanks in advance,

Brian

Last edited by a moderator: Jan 23, 2018

Brian, Mar 25, 2006

#1

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2. *Guest*

Brian said:

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What it means is that if you are a cash basis taxpayer, you deduct the interest when paid and if you are an accrual basis taxpayer, you deduct it as it accrues.

In all my years of practice I never met an accrual basis individual taxpayer. Has anyone?

ChEAr\$,

Harlan Lunsford, EA n LA

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, Mar 26, 2006

#2

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3. LTSLLC *Guest*

I believe that the terms "paid" and "accrued" refer to whether the taxpayer uses a cash basis or accrual basis. At least that is how those terms are used for investment interest so I am assuming they have the same meaning or application for mortgage interest.

See page 33 of Publication 550 under "When to deduct investment interest".

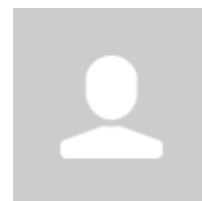
Rudy

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LTSLLC, Mar 26, 2006

#3



4. Mr. Travel *Guest*

Brian wrote:

What it means is that if you are a cash basis taxpayer, you deduct the interest when paid and if you are an accrual basis taxpayer, you deduct it as it accrues.

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Click to expand...

I don't see where Section 163 states the accrued interest can only be deducted if you are an accrued based taxpayer?

Mr. Travel, Jan 24, 2008

#4



5. Stuart Bronstein *Guest*

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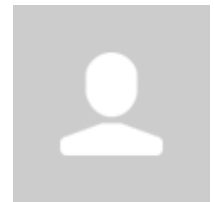
That's the basic definition of a cash as opposed to an accrual taxpayer. Section 461(a) says,

"The amount of any deduction or credit allowed by this subtitle shall be taken for the taxable year which is the proper taxable year under the method of accounting used in computing taxable income."

Stu

Stuart Bronstein, Jan 24, 2008

#5



6. D. Stussy *Guest*

Stuart Bronstein said:

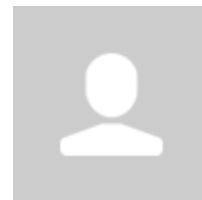
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D. Stussy, Jan 25, 2008

#6



7. Stuart Bronstein *Guest*

D. Stussy said:

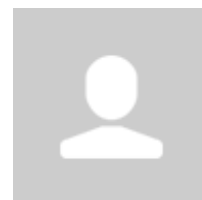
...And is in contrast to verbage used in other sections such as 170A which requires payment to be deductible - i.e. cannot be merely accrued (pledged).

Section 170A? I couldn't find it. But if you're talking about statutes dealing with specific types of income or deduction, those would be exceptions, and would not diminish the general rule.

Stu

Stuart Bronstein, Jan 25, 2008

#7



8. D. Stussy *Guest*

Stuart Bronstein said:

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Sorry for the brain Freeze: Section 170, and it's regulations 1.170A.

D. Stussy, Jan 25, 2008

#8

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