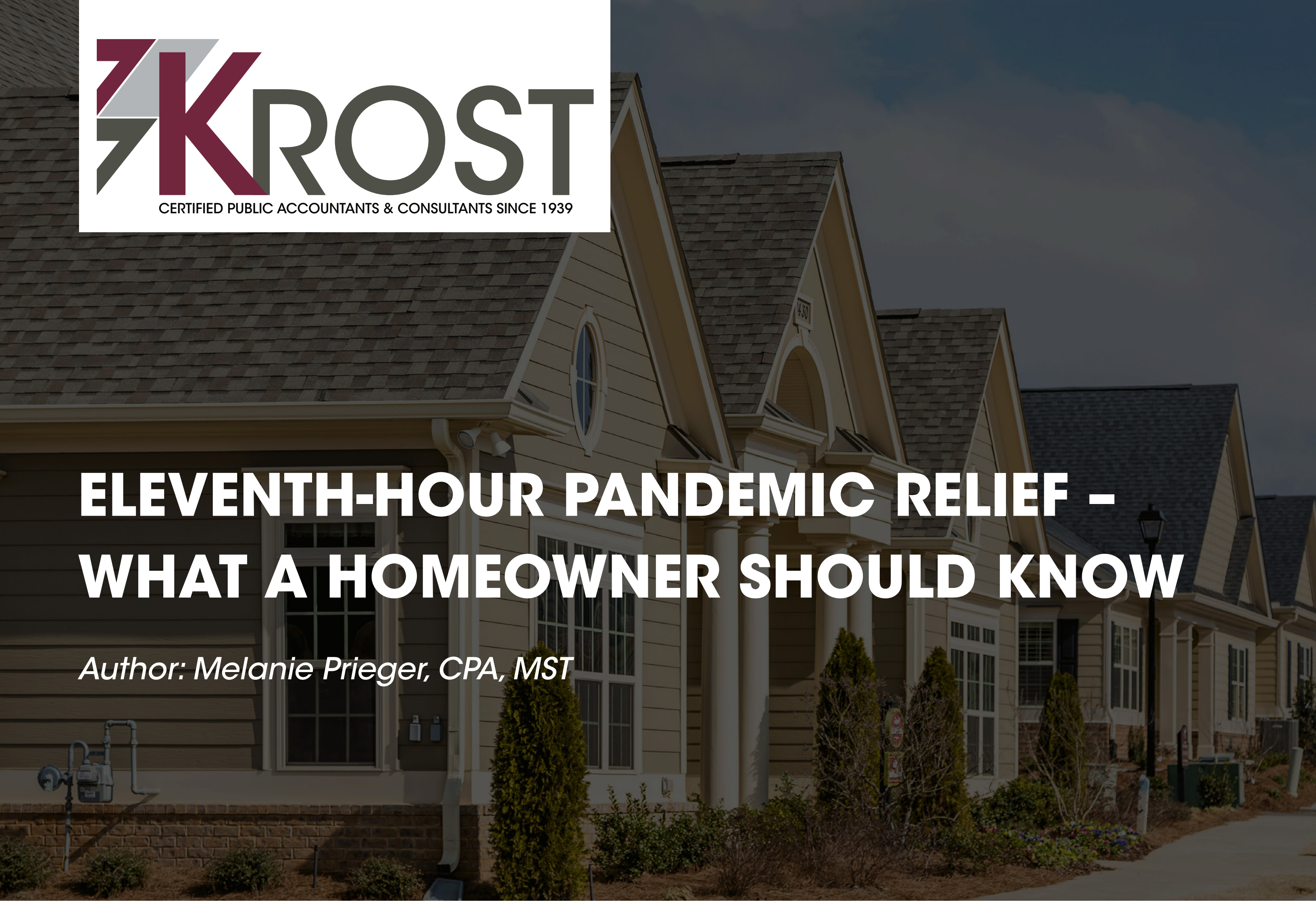

KROST
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS SINCE 1939

ELEVENTH-HOUR PANDEMIC RELIEF – WHAT A HOMEOWNER SHOULD KNOW

Author: Melanie Prieger, CPA, MST

The Consolidated Appropriations Act (the "Act") passed by Congress and signed by the President on December 27, 2020, outlined several provisions to help individuals through this extended time of financial uncertainty. Most of these provisions are included in the Additional Coronavirus Response and Relief ("ACRR") and the Taxpayer Certainty and Disaster Tax Relief Act of 2020 ("TCDTRA") Divisions of the Act. KROST has identified provisions specifically benefitting homeowners. They include a second round of recovery rebates, along with extensions of mortgage benefits and home energy improvement credits.

RECOVERY REBATE

The second round of Recovery Rebates authorized by the Act are direct credits against 2020 taxes. Most individuals will receive this in the form of a $600 per person (including children under age 17) stimulus check or direct deposit, with phase-outs beginning at adjusted gross income of $75,000 for singles, $112,500 for heads of household, and $150,000 for married couples. These payments are based on information from 2019 tax returns. However, suppose an individual qualifies for the rebate but did not receive an advance check or deposit. In that case, they will be able to claim the credit on their 2020 tax return for either a reduction in tax due or an increased refund. (ACRR, Sec. 272)

MORTGAGE BENEFITS

Mortgage benefits extended by the Act include exclusion of income from mortgage debt forgiveness and deductibility of mortgage insurance premiums. Both provisions were originally slated to expire at the end of 2020.

Exclusion of Mortgage Debt Forgiven: A taxpayer may exclude from income up to $1 million ($2 million for married filing jointly) of mortgage debt that has been forgiven, up through the end of 2020. Additionally, mortgage debt that is forgiven between January 1, 2021, and December 31, 2025, may also be excluded, but the exclusion is limited to $375,000 ($750,000 MFJ). (TCDTRA, Sec. 114)

Deductibility of Mortgage Insurance Premiums: Under the new provision, taxpayers may continue to deduct mortgage insurance premiums as qualified residence interest through December 31, 2021. (TCDTRA, Sec. 133)

HOME IMPROVEMENTS

The Act also extended and improved tax credits for certain home improvements.

Residential Solar Energy Credit: This credit was originally on a phase-down schedule, permitting a 30% credit in 2019, 26% in 2020, 22% in 2021, and then expiring. Under the Act, the phase-down is delayed by 2 years, allowing a 26% credit through the end of 2022, and a 22% credit in 2023. The credit expires after 2023. (TCDTRA, Sec. 132)

Energy-efficient Home Improvements: The Act authorizes a one-year extension, to the end of 2021, of the tax credit for qualifying improvements, such as doors, insulation, roofing, and windows. (TCDTRA, Sec. 141)

Many of these provisions provide homeowners with a second chance to take advantage of tax opportunities that were scheduled to expire last year. KROST professionals can help you identify and utilize those that meet your situation and needs.

Source:
https://www.govtrack.us/congress/bills/116/hr133/text

Author: Melanie Prieger, CPA, MST