

Internal Revenue Code Section 163(h)(3)(C) Interest

(h) Disallowance of deduction for personal interest.

(1) . . .

(2) . . .

(3) Qualified residence interest. For purposes of this subsection—

(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. For purposes of the preceding sentence, the determination of whether any property is a qualified residence of the taxpayer shall be made as of the time the interest is accrued.


(B) Acquisition indebtedness.

(i) In general. The term "acquisition indebtedness" means any indebtedness which—

(1) is incurred in acquiring, constructing, or substantially improving any qualified residence of the taxpayer, and

(2) is secured by such residence. Such term also includes any indebtedness secured by such residence resulting from the refinancing of indebtedness meeting the requirements of the preceding sentence (or this sentence); but only to the extent the amount of the indebtedness resulting from such refinancing does not exceed the amount of the refinanced indebtedness.

(ii) \$ 1,000,000 Limitation. The aggregate amount treated as acquisition indebtedness for any period shall not exceed \$ 1,000,000 (\$ 500,000 in the case of a married individual filing a separate return).

 (C) Home equity indebtedness.

- (i) In general. The term "home equity indebtedness" means any indebtedness (other than acquisition indebtedness) secured by a qualified residence to the extent the aggregate amount of such indebtedness does not exceed—
 - (1) the fair market value of such qualified residence, reduced by
 - (2) the amount of acquisition indebtedness with respect to such residence.
- (ii) Limitation. The aggregate amount treated as home equity indebtedness for any period shall not exceed \$ 100,000 (\$ 50,000 in the case of a separate return by a married individual).