MGIC

MI
IS TAX-DEDUCTIBLE THROUGH 2016.

MI tax deductibility was extended as part of the Protecting Americans from Tax Hikes Act of 2015. Borrower-paid MI premiums are tax-deductible for the 2016 tax year.

Here are answers to commonly asked questions; however, borrowers should consult their tax advisors regarding MI tax deductibility.

See disclaimer note on the reverse side.

FAQs

DOES THE BILL APPLY TO MGIC MORTGAGE INSURANCE?

Yes, borrower-paid MI provided by MGIC qualifies for the deduction. This includes our Monthly, Single MI and Split Premium plans. It is recommended that borrowers consult their tax advisors regarding the amount that is deductible.

WHAT TYPES OF MORTGAGE LOANS QUALIFY FOR THE MI TAX DEDUCTION?

Loans used for "acquisition indebtedness" — that is, money borrowed to buy, build or substantially improve a residence — are eligible, as long as the debt is secured by the same residence.

This includes purchase loans and refinance loans, up to the original acquisition indebtedness. (Money borrowed against the equity in a home or when refinancing a home for any reason other than to buy, build or substantially improve a residence is called "equity indebtedness.")

IS DEDUCTIBILITY APPLICABLE FOR ALL LOAN TYPES?

There is no differentiation among loan types.

WHAT TYPES OF PROPERTIES ARE ELIGIBLE FOR TAX DEDUCTIBILITY?

The deduction applies to "qualified residences," as defined in the Internal Revenue Code. Generally, that includes the borrower's primary residence and a nonrental second home. As with mortgage interest, borrowers can deduct mortgage insurance premiums paid on both their primary residence and one other qualified residence each year. Investor loans are not eligible.

WHEN REFINANCING A PIGGYBACK LOAN ORIGINALLY USED TO ACQUIRE A PROPERTY, IS THE ORIGINAL LOAN AMOUNT CONSIDERED THE SUM OF THE TWO MORTGAGES OR ONLY THE PRIMARY MORTGAGE AMOUNT WITHOUT THE SECOND LIEN INCLUDED?

The original acquisition indebtedness is considered to be the sum of the two mortgages.

FAQs (CONTINUED)

WHO QUALIFIES FOR THE ITEMIZED DEDUCTION?

Households with adjusted gross incomes of $100,000 or less will be able to deduct 100% of their MI premiums. The deduction is reduced by 10% for each additional $1,000 of adjusted gross household income, phasing out after $109,000. (Details below.)

Married individuals filing separate returns who have adjusted gross incomes of $50,000 or less will be able to deduct 50% of their MI premiums. The deduction is reduced by 5% for each additional $500 of adjusted gross income, phasing out after $54,500. (Details below.)

The deduction is not restricted to first-time homebuyers.

IS ADJUSTED GROSS INCOME CALCULATED BEFORE OR AFTER DEDUCTIONS?

Adjusted gross income is calculated before itemized deductions, including the MI deduction.

ADJUSTED GROSS INCOME LIMITS

SINGLE OR MARRIED, FILING JOINTLY	ALLOWABLE MI PREMIUM DEDUCTION	MARRIED, FILING SEPARATELY	ALLOWABLE MI PREMIUM DEDUCTION
$0 - $100,000	100%	$0 - $50,000	50%
$100,000.01 - $101,000	90%	$50,000.01 - $50,500	45%
$101,000.01 - $102,000	80%	$50,500.01 - $51,000	40%
$102,000.01 - $103,000	70%	$51,000.01 - $51,500	35%
$103,000.01 - $104,000	60%	$51,500.01 - $52,000	30%
$104,000.01 - $105,000	50%	$52,000.01 - $52,500	25%
$105,000.01 - $106,000	40%	$52,500.01 - $53,000	20%
$106,000.01 - $107,000	30%	$53,000.01 - $53,500	15%
$107,000.01 - $108,000	20%	$53,500.01 - $54,000	10%
$108,000.01 - $109,000	10%	$54,000.01 - $54,500	5%

HOW DOES THE MI TAX DEDUCTION WORK?

Borrowers who itemize deductions are able to reduce their overall taxable income in the same manner as mortgage interest.

ARE BORROWER-PAID, SINGLE PREMIUMS, WHICH ARE PAID UP FRONT IN A LUMP SUM, ELIGIBLE FOR THE DEDUCTION?

Yes, borrower-paid, single-premiums are eligible for the deduction under the new law. Borrowers should consult with a professional tax advisor to determine the amount of the MI premium eligible for the tax deduction.

IF THE SINGLE PREMIUM IS FINANCED, ARE BOTH THE MORTGAGE INSURANCE PREMIUM AND THE INTEREST TAX-DEDUCTIBLE?

We believe that if the loan is for acquisition indebtedness, both the interest attributable to the entire loan balance as well as the allocated portion of the mortgage insurance premium are tax-deductible.

HOW WOULD A PREMIUM ISSUED DURING THE TAX YEAR AFFECT ELIGIBILITY AND THE AMOUNT OF THE MI DEDUCTION?

Borrowers are only permitted to deduct that portion of their MI premium attributable to a tax year. If the MI is dropped, and a refund is paid, the amount refunded would reduce the amount of MI premium that could be attributable to that tax year and be deducted.

Note: MGIC cannot provide tax advice. Taxpayers should consult their tax advisors to ascertain whether they are eligible to take this deduction. The answers to these questions are based on an interpretation of the language of the statute, the Joint Committee on Taxation's Technical Explanation of the statutory language and present law. The Internal Revenue Service ("IRS") will issue guidance interpreting the new provision and could reach different conclusions for some of the issues raised.

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