



Budget Deal Reinstates Expired Tax Credits

The Congress averted shutting the government again by passing a considerable budget deal with a few surprises by resurrecting a few expired tax breaks. The credits include help for mortgage insurance premiums, higher-education expenses, energy-efficient home improvement projects to name a few. These were tax credits expiring in 2016 but Congress has brought them back for 2017 to the joy of some homeowners, environmentalists and students. These tax credits were not included in the December tax reform bill passed by Congress thus giving taxpayers a possible one last chance to utilize these expenses for a tax break.

These are some of the tax credits brought back within the latest budget by Congress:

- **Mortgage insurance premiums deduction.** Mortgage insurance premiums are deductible interest again for 2017. However, this only applies if the taxpayer is itemizing deductions. The deduction phases out for taxpayers with adjusted gross income of \$100,000 to \$110,000.
- **Discharge of residential mortgage indebtedness.** The provision modifies the exclusion to apply to qualified principal residence indebtedness which is discharged pursuant to a binding written agreement entered in 2017. Normally, taxpayers must pay income taxes on forgiveness of debt.
- **Energy-efficient home improvements tax credit.** The energy-efficient \$500 home improvement credit is listed under energy extenders in the budget, but it affects a homeowner's personal tax return. A taxpayer can get a tax credit of up to \$500 (10% of the amount paid) for making energy-efficient home improvements like new windows or upgraded heating and air-conditioner equipment.
- **Higher-education expenses deduction.** The deduction is "above-the-line" allowing for higher-education expenses which includes tuition and related expenses. Itemization is not necessary to qualify for this deduction. The deduction is capped at \$4,000 for an individual whose AGI does not exceed \$65,000 (\$130,000 for joint filers) or \$2,000 for individuals whose AGI does not exceed \$80,000 (\$160,000 for joint filers).
- **The electric vehicle credits.** A 2-wheel plug-in electric motor bike purchase can be about another credit. It is a 10% tax credit, which is capped at \$2,500.
- **Additional residential energy tax credit.** A huge extension is the tax breaks for home solar for geothermal home energy systems and small wind which were omitted in the Tax Cuts and Jobs Acts (TCJA) of 2017. For geothermal systems and windmills placed in service from January 1, 2017 through 2019, the credit is 30% of the cost of the system, and then it drops to 26% for 2020 and 22% for 2021. It ends on December 31, 2021. This is the same phase-out schedule home solar per the TCJA.

For the complete summary of the Tax Extenders Agreement from the Senate Finance Committee Summary, [click here](#).