It May Seem
EASY,

THE PROBLEM: With each passing year, inflation is pushing an increasing number of taxpayers into the AMT. The IRS believes that in just a few short years, the AMT will be the predominant method of computing taxes. In addition, with the decline in interest rates over the past couple of years, virtually every homeowner has refinanced at least once, with a large number refinancing multiple times. Property values have also substantially increased, thus, allowing homeowners to pull cash out of their homes for a variety of reasons. This is creating a nightmare scenario for preparers since taxpayers are not aware of the limitations associated with home mortgage interest which includes exceeding the allowable acquisition debt; creating equity debt that is not deductible against the AMT; using the cash out for business purposes in the mistaken belief that home mortgage interest follows the general interest allocation rules; and in many cases, creating debt where a portion of the debt is not deductible at all.

HOME MORTGAGE INTEREST: but It's NOT!

By Lee T. Reams, EA

To fully understand the impact of these issues, we need to carefully review the details surrounding home mortgage interest.

A deduction is allowed for interest paid on loans secured by a taxpayer's primary home and a second home. The deduction is allocated to two categories: acquisition debt and home equity debt. Interest deductions are limited, depending on the category of the underlying debt.

Acquisition Debt—Code Sec. 163(h)(3)(B)

Acquisition debt is debt incurred to purchase, construct, or substantially improve a taxpayer's principal home or second home. Debt to improve the home(s) is discussed later in this article. It must be secured by the home(s). Combined acquisition debt on the two homes can't be more than $1,000,000 ($500,000 for married separate). Refinanced debt can also qualify as acquisition debt if it doesn't exceed the amount of the old acquisition debt just before the refinancing. Acquisition debt is deductible

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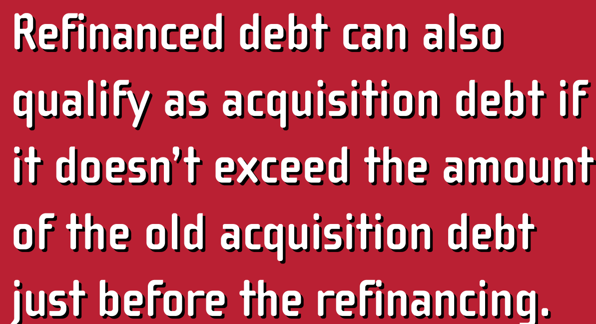
against both the regular tax and the AMT.

Acquisition Debt Declines Over Time— Acquisition indebtedness is reduced as payments of principal (amortization) are made and cannot be increased by refinancing, except if indebtedness is incurred to substantially improve the residence (H Rept No. 100-391, Part 2 (PL 100-203) p. 1033). Generally, acquisition debt will decline as illustrated in Figure 1. As shown, the original acquisition debt balance was $200,000, and it steadily declines over the term of the loan until it reaches zero at the end of the loan term (30 years). The amount and remaining term of the acquisition debt at any point in time always follows the curve of original acquisition debt.

> ***Example 1****—After 15 years, the acquisition debt in Figure 1 has declined to approximately $150,000 and only the interest on the $150,000 is treated as acquisition debt interest. After 30 years, the acquisition debt will have declined to zero, at which point there is no deduction for acquisition debt interest on the property.*



Grandfathered Acquisition Debt— Debts existing before October 14, 1987, are treated as acquisition debts, even if they total more than $1,000,000; but pre-October 14, 1987, debts decrease the amount of the $1,000,000 limitation available for acquisition debt incurred after October 13, 1987. Pre-October 14, 1987, debt includes debt which is refinanced after October 13, 1987, and which does not exceed the loan balance at the time of the refinance.

Spousal Buy-Out Debt**—**Notice 88-74, 1988-2 CB 385 states that in divorce situations, secured debt incurred to buy out a former spouse's interest in a home is acquisition debt. This rule is applied without regard to Code Section 1041 which treats certain transfers of property between spouses incident to divorce as nontaxable events.

Record of Original Loan Important— As illustrated in Figure 1, should a taxpayer refinance or add home equity debt, the only way to accurately determine the deductible amount of interest is by knowing the terms of the original acquisition debt. Therefore, it is important that clients retain that information and backup documents.

Secured Debt**—**A secured debt has three characteristics for purposes of the home mortgage interest rules:

1. It makes the taxpayer's interest in the home specific security for the loan;
2. If the taxpayer defaults on the loan, the home would provide satisfaction for the debt, as with a mortgage or deed of trust;
3. The debt must be recorded according to the applicable state law.

Refinancing Acquisition Debt**—**If a home mortgage debt is refinanced, to the extent the new debt replaces the prior acquisition debt, the new debt continues to be acquisition debt even if the term of the loan is extended. Figure 2 illustrates a loan being refinanced after 15 years and the term extended for an additional 15 years. In this example, all debt within the shaded area continues to be home acquisition debt. Code Sec. 163(h)(3)(B)(i).

Increasing Acquisition Debt**—**If a home mortgage debt is refinanced, to the extent the new debt replaces the prior acquisition debt and any additional loan proceeds are used to substantially improve the residence, the new debt continues to be acquisition debt even if the term of the loan is extended. Figure 3 illustrates a loan being refinanced after 15 years and the term extended for an additional 15 years. In this example, all debt within the shaded area continues to be home acquisition debt.

HOME EQUITY DEBT—
Code Sec. 163(h)(3)(C)

Home equity debt is debt that is not acquisition debt and is secured by a taxpayer's principal or second home. The total equity debt on the two homes can't be more than:

- $100,000 ($50,000 for married separate—Code Sec. 163(h)(3)(C)(ii)), or
- The difference between the acquisition debt on the home and the FMV of the home, if smaller.

There generally is no limitation on the use of home equity debt proceeds; the funds may be used to purchase a car, pay personal debts, etc., and the interest on the debt will still be deductible on Schedule A. Caution: Home equity debt is *not* deductible against the AMT (See Home Mortgage Interest and AMT later in this article).

Deductible Interest

Generally, the debt on which the interest is tax-deductible includes the sum of the acquisition debt and home equity debt. Figure 4 illustrates the same acquisition debt as in Figure 1 with allowable home equity debt of $100,000 illustrated.

> ***Example 2****—After 15 years, the acquisition debt in Figure 4 has declined to approximately $150,000 and that debt plus $100,000 of home equity debt totals $250,000. Only the interest on the $150,000 is treated as acquisition debt interest. After 30 years, the acquisition debt will have declined to zero, at which*

point there is no deduction for acquisition debt interest on that property, and the only interest that would be deductible is the interest on any equity debt up to the $100,000 home equity debt limit.

Effect of Refinancing

With falling interest rates, more taxpayers are refinancing their loans for lower interest rates, consolidating other debt, financing consumer debt, funding college education, etc. This creates situations where part of the debt may exceed the sum of the acquisition debt and home equity debt. If this occurs, the interest on the debt is limited to the interest on the sum of the acquisition debt and the home equity debt. From Figure 5B, the interest on the debt that exceeds the allowable acquisition and equity debt would not be deductible as home mortgage interest. However, the excess may be traced to other uses that make the interest deductible for other purposes as discussed later (See Allocating Home Mortgage Interest).

Example 3*—From Figure 3, assume in the 15th year following the acquisition of the home, the taxpayer refinances with a $300,000 first mortgage. At that moment in time, the acquisition debt is $150,000, and the allowable home equity debt is $100,000 for a total of $250,000. The interest on the $300,000 debt for the year is $21,000. The deductible interest for the year is applied as shown in Figure 5A.*

Determining & Tracing Excess Debt Secured by the Home

Interest on debt secured by the home must first be allocated to the home to the extent permitted and any excess can be allocated to the use of the funds per the general tracing rules of Reg §1.163-8T. Per the tracing rules, where the use of the loan funds can be traced to another purpose, the interest on the excess debt can be allocated to that use.

Determining the Excess Debt—IRS Pub No. 936 (2002) provides the worksheet illustrated in Figure 6A to allocate debt secured by a taxpayer's first and second homes.

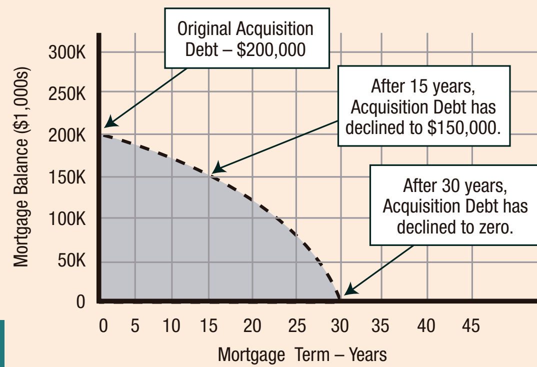


FIGURE 1

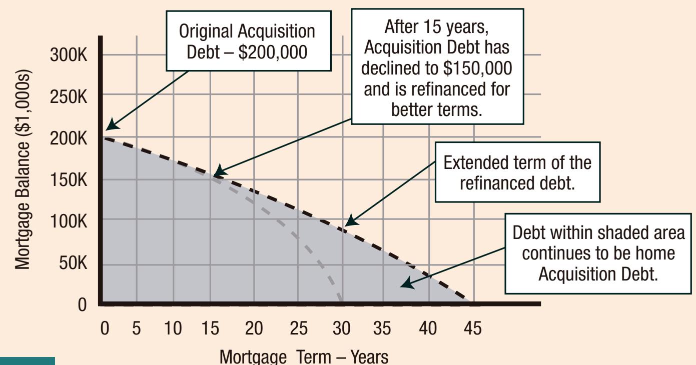


FIGURE 2

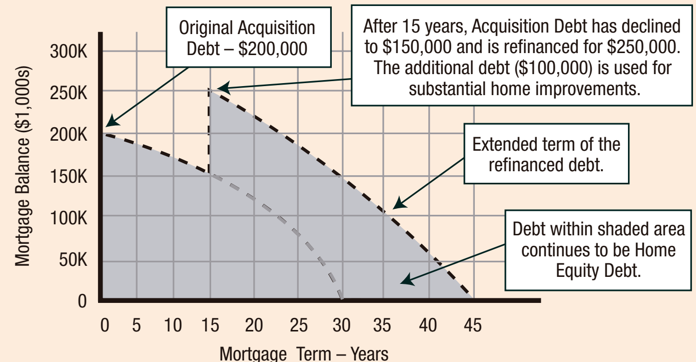


FIGURE 3

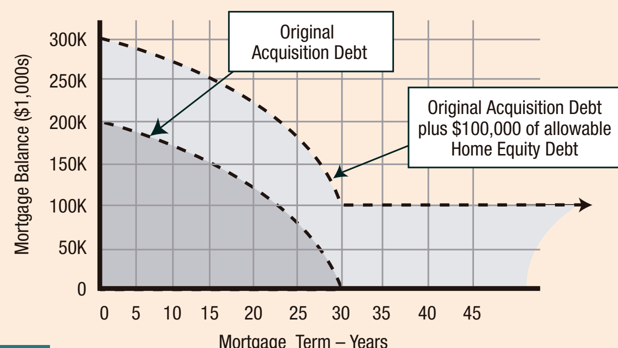


FIGURE 4

$$\text{Schedule A deductible interest} = \frac{\$250{,}000}{\$300{,}000} \times \$21{,}000 = \$17{,}500$$

$$\text{Interest not deductible as home mortgage interest} = (\$21{,}000 - \$17{,}500) = \$3{,}500$$

$$\text{AMT deductible interest} = \frac{\$150{,}000}{\$300{,}000} \times \$21{,}000 = \$10{,}500 \quad \text{(AMT adjustment of \$7,000)}$$

FIGURE 5A

Example 4—Allocating Refinanced Debt—*Use the refinance situation illustrated in Figure 5B. The original purchase money loan was refinanced with an average balance for the year of $300,000. The acquisition debt had declined to $150,000 at the time of the refinance and the interest on the refinanced debt was $10,000 for the year. The interest would be allocated as follows using the worksheet illustrated in Figures 6A and 6B.*

The excess generally will not be deductible unless some portion of the loan proceeds could be traced to another tax-deductible purpose. If so, to the extent the proceeds can be traced to that other purpose, the excess can be allocated in accordance with the general interest tracing rule. To illustrate how the interest on the excess debt might be allocated, consider the following situations:

Example 4(a)—Proceeds Used for Business—*Because the taxpayer could obtain a lower interest rate on a home loan, he refinanced his home loan to obtain the $150,000 needed to finance the start up of a Schedule C business. Because the entire debt is secured by the home, the interest on the refinanced debt must first be allocated to home acquisition and home equity debt. And, even though the entire $150,000 was used for business purposes, only the excess debt is subject to the tracing rules. Therefore, only $1,667 of the interest is allocated to the taxpayer's Schedule C and the balance remains home mortgage interest. Observations: Generally, it would be more beneficial tax wise to have deducted the interest on the entire $150,000 debt on the business, but the method of financing does not permit that allocation. If the taxpayer is subject to the AMT, he will lose the benefit of the $3,333 equity debt deduction.*

Example 4(b)—Proceeds Used for Mixed Uses—*Assume the taxpayer in Example 4(a) used the additional $150,000 proceeds for the following purposes: $35,000 as a down payment on a rental property; $25,000 for his child's college tuition; $50,000 for a new car; and the balance placed in a savings account. The taxpayer could choose to allocate the excess debt of $50,000 in any manner he chooses [(Reg §1.163-10T(e)(4)(iii)] between the rental, higher education, or investment purposes to maximize his interest deduction, keeping in mind the other passive loss, AGI, and net investment income limitations that could also further limit the allocated interest deduction. Caution: In this scenario, none could be allocated to higher education loan interest because mixed use loans are not qualified as education loans. (Prop Reg § 1.221-1(f)(4), EX (5)—"Taxpayers may rely," Preamble to Prop Regs, 1/21/1999)*

Effect of Home Improvements

Acquisition debt includes debt incurred to purchase, construct, or **substantially improve** a taxpayer's principal home or second home. Currently, there is no official explanation of the type or degree of work that's required for a substantial improvement. Presumably, the "improvement-versus-repair" rules would be relevant in determining whether there was a substantial improvement for purposes of the acquisition indebtedness rule.

Debt incurred to substantially improve the home will increase the acquisition debt. As illustrated in Figure 3, the acquisition debt was refinanced and the entire proceeds were used for substantial home improvements, thus, qualifying the entire refinanced loan as acquisition debt. As illustrated in Figure 7, money needed for the substantial home improvement could have been obtained as another separate loan ($75,000 for 20 years in illustration) which would also qualify as acquisition debt.

Loan Progress Charts

The charts shown on p. 14 are abbreviated loan progress charts for both 30-year and 15-year loans by interest rate. These charts are for illustration purposes only. The balance of the loan is shown as a percentage of the original loan.

> ***Example 5****—A loan with an initial balance of $100,000 and a 7% interest rate will have a balance of $53,197 ($100,000 x .53197) at the end of 20 years.*

Allocating Home Mortgage Interest

Debt secured by a taxpayer's home is by definition home mortgage interest and *to the extent it is allowed as home mortgage interest, it cannot be allocated.* However, the excess (the amount not allowed as home mortgage interest) as discussed earlier can be allocated to other uses per the general interest allocation rules. As an alternative, the taxpayer has the option to treat the mortgage as not secured by the home (See Election to Treat Secured Debt as Unsecured on the next page.)

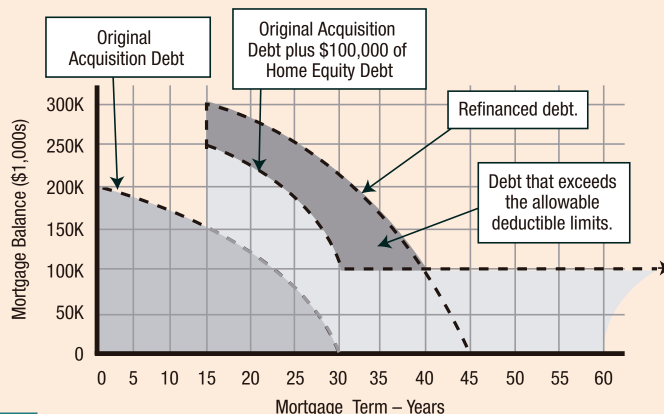


FIGURE 5B

EXCESS HOME DEBT WORKSHEET

1. Total Home Debt (1) .... $ XXX,XXX
2. Allowable Acquisition Debt (2)... <   >
3. Equity Debt (Line 1 less Line 2 but not more than $100,000) .... <   >
4. Excess Debt (Line 1 less sum of Lines 2 and 3)(3)........................ $ XX,XXX

(1) Total debt secured by the taxpayer's first and designated second home.
(2) Average allowable acquisition debt included in Line 1.
(3) Interest on this debt is not deductible as home mortgage interest but may be allocated to other uses per the general tracing rules.

FIGURE 6A

	DEBT	% OF TOTAL	INTEREST ALLOCATION
1. Total Home Debt	$300,000	100.00%	$10,000
2. Allowable Acquisition Debt	<$150,000>	50.00%	$5,000
3. Equity Debt	<$100,000>	33.33%	$3,333
4. Excess Debt	$50,000	16.67%	$1,667

FIGURE 6B

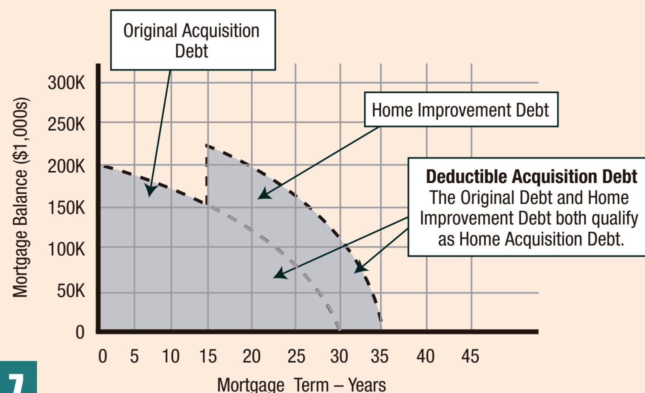


FIGURE 7

LOAN PROGRESS CHARTS

30-YEAR LOAN PROGRESS CHART

%	5	10	15	20	25	30
5	89.935	78.912	64.765	46.610	23.310	0
6	91.398	81.451	68.035	49.939	25.529	0
7	92.692	83.771	71.125	53.197	27.783	0
8	93.825	85.871	74.019	56.362	30.056	0
9	94.810	87.755	76.708	59.413	32.334	0
10	95.660	89.433	79.189	62.333	34.601	0

15-YEAR LOAN PROGRESS CHART

%	5	10	15
5	68.662	34.339	0
6	70.288	35.932	0
7	71.870	37.535	0
8	73.406	39.145	0
9	74.892	40.759	0
10	76.329	42.370	0

Office-in-Home (Business Use of Home)—Where there is business use of a home, the acquisition debt is secured by both the home and the office in the same ratio as the home and business use and is not being allocated. Therefore, the portion of the loan secured by the office becomes home office interest, deductible on the same form or schedule that the office is deducted upon and is not treated as allocating the interest secured by the home. On the other hand, no portion of the allowable interest on equity debt can be deducted as business interest and all of the allowable equity interest is only allowed on Schedule A.

Example 6—Business Use of the Home—*Assume the taxpayer uses 10% of his home for business for his sole proprietorship. The interest for the year on his $200,000 acquisition debt is $12,000 and the interest on the home equity debt of $50,000 is $3,000. The interest will be deductible as seen in Figure 8.*

Election to Treat Secured Debt as Unsecured

Taxpayers can elect to treat any secured debt as unsecured. (Temp. Reg. 1.163-10T(o)(5) **The election is irrevocable without IRS consent.** By making the election, the interest on the loan can be allocated to

use of the proceeds by using the general tracing rules of Reg §1.163-8T.

Example 7—Electing to Treat Secured Debt as Unsecured*—The taxpayer's home is debt-free and the taxpayer obtains a loan of $150,000, secured by his home, which is used as a down payment on an apartment building. If the taxpayer does not make the election to treat the debt as unsecured, he would be able to deduct the interest on $100,000 of the debt as equity debt (not AMT deductible) and the interest on the excess $50,000 balance would be deductible as rental interest on Schedule E. If the taxpayer elects to treat the secured debt as unsecured and because the entire proceeds can be traced to the rental, the interest on 100% of the debt would be deductible on Schedule E.*

Caution: By definition, home mortgage debt must be secured by the home. If this election is made, the debt is no longer treated as secured by the home. Therefore, if this election is made, no portion of the interest on the debt can be allocated back to the home.

Example 8—Electing to Treat Secured Debt as Unsecured*—The taxpayer has an existing $50,000 acquisition debt on his home worth $400,000. He needs $200,000 to finance a business venture. To finance the business venture, he refinances his home for $250,000. By doing so, he will have two options:*

(1) Treat the entire loan as home mortgage interest. However, the combination of $50,000 of acquisition debt and $100,000 of home debt will limit his deduction to 60% (150/250)x100) of the interest on the refinanced debt.

(2) He could elect to treat the debt as not secured by the home. By doing so, he can allocate $200,000 of the debt to his business venture. However, the other $50,000 cannot be allocated to home mortgage interest because it no longer meets the requirements of being secured by the home. Therefore, he will lose the interest deduction for the $50,000 of debt. This is probably his best option, since he will be able to deduct 80% (200/250)x100) of the interest.

	TOTAL	SCHEDULE A	SCHEDULE C
Acquisition Debt Interest	$12,000	$10,800	$1,200
Equity Debt Interest	$3,000	$3,000	

FIGURE 8

Debt	Schedule A	AMT
Acquisition Debt	YES	YES
Acquisition Points	YES	YES
Home Equity Debt	YES	NO
Amortized Refinance Points [1]	YES	NO
Nonconventional Home Interest	YES	NO

[1] Not all amortized refinance points are deductible. If the refinance exceeds the sum of the acquisition debt and the home equity debt, then only the portion of the amortized points representing debt on which the interest is deductible may be used.

FIGURE 9

Another possible solution would have been to refinance the home with a $200,000 first trust deed and a $50,000 second TD. Then, he could have elected to treat the $200,000 first TD as not being secured by the home and allocate its interest to his business venture. The second TD remains secured by the home, and therefore, is still deductible as home mortgage interest.

Unfortunately, the regulations are not very specific about the election, but consider the following:

1. **Elect in any tax year:** The election may be made at any time but is then binding for all future years unless permission is granted by the IRS to revoke it. Thus, in the case described in Example 8 Point 1, the taxpayer might use the normal "equity debt" rules with this loan for a few years and make the election in some later year.
2. **Form of the election:** The regs aren't specific about making the election. Because the election is irrevocable, it appears it must be in writing. An attachment to the tax return should read something like this:

"Under the provisions of Temp. Reg 1.163-10T(o)(5), ________________hereby elects to treat Loan #__________________ with ______________________(name of institution), which is secured by Taxpayer's residence at__________________________ (address or legal description of property), as if the loan is not secured by said property. Taxpayer understands this election is binding for future tax years and may only be revoked with consent of the Commissioner."

Definition of a Qualified Residence

A qualified residence is a taxpayer's principal home and one other residence. The homes can include a house, co-op apartment, condo, mobile home, house trailer, motor home, timeshare property, or houseboat. Taxpayers with more than two homes can choose the property they want for a second home on a year-by-year basis, but they can't have more than one second home at any given point in time. A taxpayer does not have to occupy a second home in order for it to qualify. However, if the second home is rented, the vacation home use requirements must be met, i.e., the home qualifies as the

taxpayer's home only if it's used by the taxpayer more than the greater of: (1) 14 days, or (2) 10% of the days rented.

Nonconventional Home

The term nonconventional home refers to homes that are used on a transient basis such as a motor home and boat. The interest, if otherwise qualifying for the home mortgage interest, is only deductible on Schedule A and is not deductible against the AMT. The instructions for Form 6251 refer to a qualified dwelling for purposes of the AMT to be any house, apartment, condominium, or mobile home not used on a transient basis.

Taxpayers with more than two homes can choose the property they want for a second home on a year-by-year basis, but they can't have more than one second home at any given point in time.

Home Mortgage Interest and AMT

Home mortgage interest is reported on Form 1098 and includes all interest from debt secured by the taxpayers' home or homes. Lenders are not required, nor do they attempt, to classify interest as acquisition debt interest, home equity debt interest, nonconventional home, etc. That task is up to the taxpayer and his or her preparer. Use the table in Figure 9 to determine where the home mortgage interest is deductible.

Special Circumstances

Home Under Construction—A home under construction can be a qualified home during a construction period of up to 24 months if the property actually becomes the taxpayer's home when completed. Purchasing a lot, planning, and designing the home aren't considered "construction." Amended returns are necessary if the taxpayer fails to make the completed home his residence after the construction.

Example—Deduction of Home Mortgage Interest on Home Under Construction—*Will owns a lot in the mountains. On May 1, 2000, he got a loan to begin construction of a vacation house on the lot. On September 1, 2000, construction actually began, and the home was completed and occupied by Will on December 1, 2002. Will may choose to treat the property under construction as his second home for purposes of deducting home mortgage interest beginning September 1, 2000. The home does not qualify as a second home after August 31, 2002. However, the house qualifies again on December 1, 2002 when Will occupies it.*

Home Destroyed—A taxpayer may be able to continue treating his or her home as a qualified home even after it is destroyed in a fire, storm, tornado, earthquake, or other casualty. This means the taxpayer can continue to deduct the interest subject to the normal limits for home mortgage interest. To continue treating a destroyed home as a qualified home, the taxpayer must do one of the following within a reasonable period of time after the home is destroyed:

(1) Rebuild the destroyed home and move into it, or
(2) Sell the land on which the home was located.

This rule applies whether the home is the main home or a second home that the taxpayer treats as a qualified home. Also, it applies whether or not the home is in a federal disaster area.

Converting a Home to a Rental—Occasionally, a taxpayer will convert his or her existing home to a rental. The interest deduction for a rental is limited to the interest on the acquisition debt. Had the converted home been previously refinanced, the interest on any debt in excess of the acquisition debt for property would not be deductible as rental interest. If the excess debt can be traced per the general tracing rules to a deductible use, then the excess interest would be deductible. Otherwise, the excess interest would no longer be deductible.

Timesharing Arrangements—A taxpayer can treat a home owned under a timesharing plan as a qualified home if it meets all the requirements.

Rental of timeshare: If a taxpayer rents out the timeshare, it qualifies as a second home only if the taxpayer also uses it as a home. To qualify as a home, the taxpayer must use the home the greater of (1) 14 days, or (2) 10% of the days rented. To determine if the taxpayer meets that requirement, count the days of use and rental of the home only during the time the taxpayer had a right to use it.

Late Payment Charge on Mortgage Payment—A taxpayer can deduct as home mortgage interest a late payment charge if it is not for a specific service performed by the mortgage holder.

Mortgage Prepayment Penalty—If a taxpayer pays off the home mortgage early, the prepayment penalty can be deducted as home mortgage interest.

Mortgage Interest Credit—The taxpayer may be able to claim a mortgage interest credit if the taxpayer was issued a mortgage credit certificate (MCC) by a state or local government. Figure the credit on Form 8396, Mortgage Interest Credit. If the taxpayer takes this credit, the mortgage interest deduction is reduced by the amount of the credit.

Minister and Military Housing Allowance—If the taxpayer is a minister or a member of the uniformed services and receives a housing allowance that is not

taxable, the taxpayer can still deduct the home mortgage interest.

Mortgage Assistance Payments—If the taxpayer qualifies for mortgage assistance payments under Section 235 of the National Housing Act, part or all of the interest on the taxpayer's mortgage may be paid for the taxpayer. This interest is not deductible. The taxpayer can only deduct the interest that he or she actually paid. Mortgage assistance payments have no other effect on taxes. Do not include the assistance payments in the taxpayer's income.

Mortgage Proceeds Invested in Tax-Exempt Securities—The home mortgage interest on grandfathered debt or home equity debt is not deductible if the taxpayer used the proceeds of the mortgage to buy securities or certificates that produce tax-free income.

Interest Expense Deductions Related to Co-Owned Property—An interest expense deduction is available only to those who are primarily liable on an underlying debt. However, when two or more persons are jointly and severally liable for a debt, each is primarily liable for the debt; each is entitled to a deduction for the interest on that debt that he or she pays. When co-signers make a gift to another co-signer who paid the interest, this has no effect on the rule.

A father was allowed to deduct the interest he paid on a note which he co-signed with his son as evidence of a student loan to the son for tuition, fees, etc. (Rev Rul 71-179, 1971-1 CB 58).

A father was allowed to deduct mortgage interest paid on property held in common with his daughter. It didn't matter that he had temporarily conveyed legal title to his daughter to avoid creditors' claims (Conroy, Thomas, (1958) TC Memo 1958-6).

When mortgaged property is owned jointly, and joint owners are jointly liable on the mortgage, each owner is entitled to a deduction for the mortgage interest he or she actually pays out of his or her own funds.

However, when there isn't joint liability on the mortgage or when there is right to reimbursement, and one joint owner pays all or part of the mortgage interest, the deductibility is the same as under the rules for taxes (See below).

Rev Rul 78-362, 1978-2 CB 248. Are a joint tenant's monthly payments of a mortgage debt on property held jointly regarded as gifts to the other joint tenants?

FACTS: An individual provided funds for the down payment for a purchase of real property and then conveyed two-thirds of the property to his two children; the property was held in joint tenancy. The individual subsequently made payments on the mortgage without expecting reimbursement from the children.

FINDING: Transfer of the property was termed a gift to each child—after the transfer, the taxpayer and each child held a one-third interest in the property. The subsequent mortgage payments were also considered monthly gifts to each child, each equal to one-third of the mortgage payment. Amundson, Brent, (1990) TC Memo 1990-337.

FACTS: A taxpayer's sister bought a home which she financed with a mortgage. She then agreed to sell half the property to the taxpayer in return for the taxpayer paying the mortgage. The taxpayer made the mortgage payments but didn't disclose his ownership or become directly obligated to the mortgagee (he didn't want to incur the fees required for refinancing). However, an unrecorded quitclaim was made on the property.

FINDING: The taxpayer had an enforceable, interest-bearing debt to his sister. His payments to the mortgagee were, in effect, payments to his sister. Taxpayer gets an interest deduction for his payments.

Married Separate Taxpayers

Treat married separate taxpayers as though they were one taxpayer in applying the home mortgage interest rules. If they own two homes, each may deduct the interest on only one, unless both consent in writing that the deduction for both homes is to be taken by one spouse. EA