

IRS Adopts Final Regulations on Reporting Mortgage Insurance Premium Payments

December 2, 2013

The Internal Revenue Service (“IRS”) has issued final regulations requiring financial institutions and other persons who receive mortgage insurance premiums aggregating \$600 or more during calendar year 2013 to report such payments on IRS Form 1098.

As part of the American Taxpayer Relief Act of 2012, Congress extended the provisions of Section 163(h)(3)(E) of the Internal Revenue Code (“IRC”) which permits individual taxpayers to treat certain mortgage insurance premiums as qualified residence interest for tax years 2012 and 2013. On November 26, 2013, the Internal Revenue Service adopted final regulations (Treas. Reg. §1.6050H-3) setting forth the information reporting requirements applicable to recipients of mortgage insurance premiums.

The final regulations provide that information reporting with respect to mortgage insurance premiums is required if: (1) the mortgage insurance premiums are received in the course of a trade or business, (2) the total amount of the mortgage insurance premiums received during the taxable year from any individual, in the aggregate, equals or exceeds \$600, and (3) the premiums are received with respect to mortgage insurance provided by the Federal Housing Administration, the Department of Veterans Affairs or the Rural Housing Service (or their successor organizations), or to most kinds of private mortgage insurance. Whether a person receives \$600 or more in mortgage insurance premiums is determined on a mortgage-by-mortgage basis; the premiums received on all of the mortgages held by an individual need not be aggregated to determine if the \$600 threshold has been met.

The final regulations further provide that the reporting requirements only apply to mortgage insurance premiums that are paid or accrued on or after January 1, 2013 and during periods to which IRC Section 163(h)(3)(E) applies. Unless further extended by Congress, Section 163(h)(3)(E) of the IRC applies only to premiums that are paid or accrued on or before December 31, 2013, or properly allocable to any period ending on or before December 31, 2013.

Mortgage insurance premiums subject to reporting under the final regulations must be reported on IRS Form 1098 (or any successor form) issued with respect to the mortgage of the individual who paid the mortgage insurance premiums. The requirements for furnishing IRS Form 1098 remain the same.

For more information about the reporting requirements for mortgage insurance premiums, please contact either Joseph D. Simon at 516-357-3710 or via email at jsimon@cullenanddykman.com or Deirdre Mitacek at 516-296-9136 or via email at dmitacek@cullenanddykman.com.

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