HELOC loans and taxes

Keep in mind that since HELOCs are loans, the amount you receive does not get reported on your tax return because you are technically paying the balance back.

The main tax implication is whether or not you can deduct the interest on this loan. The interest is only deductible if you use the funds for renovations to your home. (source)

Where HELOC interest gets deducted on your taxes

Where the interest gets deducted, and how much gets deducted depends on your unique tax situation.

Here are some examples:

1. If you have a home office used for business, you can deduct a percentage of the HELOC interest associated with the square footage of your office.
2. If you rent out a portion of your home to a tenant, you can deduct a percentage of the HELOC interest associated with the square footage of your rented space
3. If you do not have a home office or rental income, then you would be able to deduct it as a personal itemized deduction on form Schedule A. This is only allowed if you itemize. (most taxpayers take the standard deduction instead. Click here to learn more about this concept)