

## Homeowner Tax Changes - 1/8/2018

The new tax law that was signed into effect at the end of 2017 will affect all taxpayers. As a homeowner, you should familiarize yourself with the areas of the new law that could affect you, and may require some planning to maximize the benefits.

Some of the things that will affect you the most as a homeowner are explored in the following:

- Reduces the limit on deductible mortgage debt to \$750,000 for loans made after 12/14/17. Existing loans of up to \$1 million are grandfathered and are not subject to the new \$750,000 cap.



- Homeowners may refinance mortgage debts existing on 12/14/17 up to \$1 million and still deduct the interest, so long as the new loan does not exceed the amount of the existing mortgage being refinanced.
- Repeals the deduction for interest on home equity debt through 12/31/25 unless the proceeds are used to substantially improve the residence.
- The standard deduction is now \$12,000 for single individuals and \$24,000 for joint returns. It is estimated that over 90% of taxpayers will elect to take the standard deduction.
- Property taxes and other state and local taxes are limited to \$10,000 as itemized deductions.
- Moving expenses are repealed except for members of the Armed Forces.
- Casualty losses are only allowed provided the loss is attributable to a presidentially-declared disaster.

The capital gains exclusion applying to principal residences remains unchanged. Single taxpayers are entitled to \$250,000 and married taxpayers filing jointly up to \$500,000 of capital gain for homes that they owned and occupied as principal residences for two out of the previous five years.

Not addressed in the new tax law, the Mortgage Forgiveness Relief Act of 2007 expired on 12/31/16. This temporary law limited exclusion of income for discharged home mortgage debt for principal homeowners who went through foreclosure, short sale or other mortgage forgiveness. Debt forgiven is considered income and even though the taxpayer may not be obligated for the debt, they would have to recognize the forgiven debt as income.

These changes could affect a taxpayers' position and should be discussed with their tax advisor.



*Rod Stone*

Real Estate Brokers of Alaska

[rod@rodstone.com](mailto:rod@rodstone.com)

907-727-9379

Note: If this article generates additional questions or a need for additional information, the following button will allow you to ask your question(s), request additional information or make comments. It is not my intent to bug you with unwanted phone calls, emails, or text messages! It is my intent to allow you to benefit from my 35+ years real estate activity and to give you a buying experience beyond your expectations!

[Questions / Comments](#)