



NEW TAX LAW

5 EFFECTS TO HOMEOWNERSHIP

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MORTGAGE INTEREST DEDUCTION

The mortgage interest tax deductions touted as a way to make homeownership more affordable. It cuts the federal income tax that qualifying homeowners pay by reducing their taxable income by the amount of mortgage interest they pay. Beginning in 2018, the deduction is scaled back to interest on debt up to \$750,000, instead of \$1 Million, for people who buy homes on or after Dec. 15th 2017. For homes purchased Dec 15th 2017 or later, you may deduct the interest you pay on mortgage debt up to \$750,000. (\$375,000 if married filing separately)

PROPERTY TAX DEDUCTION

The former tax law eased the pain of paying property taxes by allowing qualifying taxpayers to reduce their taxable income by the total amount of property taxes they paid. Beginning in 2018, the deduction is limited to a total of \$10,000 (\$5,000 for married filing separately) for the cost of property taxes, and state and local income taxes or sales taxes.

HOME EQUITY DEDUCTION

On top of the mortgage interest deduction, the former tax law added a deduction for interest paid on the home equity debt "for reasons other than to buy, build, or substantially improve your home." So, for example if you borrowed from a home equity line of credit to pay tuition, the interest you paid was tax deductible. Starting in 2018, the deduction is eliminated for interest paid on home equity debt.

MORTGAGE INTEREST DEDUCTION FOR SECOND HOMES

You may deduct interest on mortgage debt on your primary home and second home. The new law keeps this part of the former tax law in place, although it reduces the amount of eligible mortgage debt, as seen in item #1 above. For homes purchased Dec 15th 2017 or later, you may deduct the interest you pay on mortgage debt up to \$750,000. (\$375,000 if married filing separately)

MOVING EXPENSES

Under the former tax law, you could deduct some moving expenses when you moved for a new job. You had to meet complex criteria involving distance and timing of the move. Beginning in 2018, only active-duty members of the armed forces will be allowed to deduct moving expenses.

This information is provided for informational purposes only and is not intended to replace legal advice from your attorney or tax consultant.