WHAT HOMEOWNERS SHOULD KNOW ABOUT TAX REFORM

Here's what homeowners need to know about theTax Cuts and Jobs Act that was signed into law December 2017.

MORTGAGE INTEREST DEDUCTION

- The limit on deductible mortgage debt was reduced from $1 million to $750,000 for new loans taken out after 12/14/17. Current 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 mortgage being refinanced.

- Interest paid on home equity loans is only deductible if the proceeds are used to substantially improve the residence.

- Interest remains deductible on second homes, but subject to the $1 million / $750,000 limits.

HOMEOWNERS

DEDUCTION FOR STATE AND LOCAL TAXES (SALT)

- If you itemize your tax return, you can claim up to $10,000 total for state and local property taxes and income or sales taxes. This $10,000 limit applies for both single and married filers.

- If you prepaid your 2018 state and local income taxes in 2017, you cannot deduct those taxes.

CAPITAL GAINS EXCLUSION

- Remains unchanged at $250,000 for single filers and $500,000 for joint returns if the house was lived in for two of the last five years.

HOUSING MARKET IMPACT

- California's median home price is projected to increase 3.2 percent in 2018. Overall, home sales in California are expected to grow in 2018.

- The supply of available homes for sale will be slightly impacted, as homeowners may delay trading up/down to their next home.

- Overall, the California housing market is expected to see a decline of 0.3 percent in active listings in 2018.

Disclaimer: This is not intended to provide legal or tax advice. Application of provisions to particular tax situations need to be discussed with an accountant, CPA, or tax attorney.

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