WHAT FIRST-TIME BUYERS SHOULD KNOW ABOUT TAX REFORM

Here's what first-time buyers need to know about the Tax Cuts and Jobs Act that was signed into law December 2017.

MORTGAGE INTEREST DEDUCTION

- The new limit on deductible mortgage debt is $750,000, down from the previous $1 million. There are certain situations which may allow a home purchase to qualify for the $1 million, even if the home closes after Jan. 1, 2018. Talk to a tax professional to learn more.

- 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 is subject to the $1 million/ $750,000 limits.

DEDUCTION FOR STATE AND LOCAL TAXES (SALT)

- Homeowners who itemize their tax returns 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 and is not indexed for inflation.

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MOVING EXPENSES

- Only members of the Armed Forces may deduct moving expenses.

HOUSING MARKET IMPACT

- Homes priced $500,000 and below will only be slightly impacted.

- C.A.R. estimates that 60 percent of first-time buyers will purchase a property priced below $500,000, and 80 percent will purchase a home priced below $750,000, so most first-time buyers will not feel the effect that tax reform exerts on home prices.

- The supply of available homes for sale also will be slightly impacted, as homeowners 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 due to tax reform.

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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