

SOUND OFF *Brian A. Clarke Jr.*

How does the new tax law impact the real estate market?

Tax reform and housing. What a daunting subject and conversation. To many of us it is just some mumbo jumbo. Well, you are not alone.

Many of our very own elected officials still do not understand the bill and what was voted on. The new limitations on housing-related deductions are raising several questions. Let us take a look.

The sections of the law impacting housing the most include the lowering of the mortgage interest deduction to \$750,000 from \$1 million, placing a cap on the deduction for state and local

taxes (property taxes included at \$10,000 and below only) and doubling the standard deductions for single- and joint- filers. The law also eliminates the deduction of interest on home equity loans.

What does this all mean? Although the mortgage interest deduction was lowered to \$750,000 from the previous \$1 million marker, homes purchased prior to Dec. 15, are grandfathered and the prior \$1 million cap will still apply.

The new law does apply to total mortgage debt. This means the combined interest on your primary and secondary homes can be deducted only. Houses

that carry a value in the \$750,000 to \$1.5 million sector will be most affected by these changes.

The interest on loans below that value will still be deductible. Many homeowners with homes priced above the range will see their interest deduction either reduced or completely eliminated.

With the state and local tax deduction, which includes property taxes being capped at \$10,000, this new limitation will directly affect homeowners in high valued areas. The tax reform will have an affect on our local sectors as well. Homeownership within high valued and

higher taxed towns will relatively be more expensive in comparison to the lower valued towns.

With the standard deduction for married couples doubling, potential home buyers will receive no additional tax benefit if they purchase a home. This may result in younger households continuing to rent versus purchasing a home.

Overall, we continue to live in a high demand area and will need to see how this truly affects our local towns and state.

*Brian A. Clarke Jr.,
William Pitt Sotheby's
International Realty,
(203) 246-4771 (cell), bclarke@wpsir.com*

