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Tax Bill's Effect on Northern Colorado Home Owners.

By: Kareen Kinzli Larsen, Kinzli Team at RE/MAX
Alliance Wellington

With all of the back and forth relating to the new tax bill, it is hard to understand how it will affect us here in Northern Colorado. Looking at the bill as it relates specifically to real estate owned, we will see few changes locally.

Initially, there was talk of eliminating the mortgage interest deduction. The final bill keeps this deduction, but reduces the limit on deductible mortgage debt to \$750,000 for loans taken out after 12/14/17. With the majority of Northern Colorado residential home loans under this amount, we will see little change. With that being said, the new bill doubles the standard deduction to \$12,000 for individuals and \$24,000 for joint returns. According to the National Association of Realtors, congressional estimates indicate that 92 – 95% of taxpayers will no longer itemize deductions such as mortgage interest, instead opting to file under the standard deduction.

Currently, home owners who have owned and lived in their primary residence for 2 out of the last 5 years are exempt from capital gains taxes at the time of sale up to \$250,000 for individuals and \$500,000 for joint returns. Despite discussion of extending the time to 5 out of the past 8 years, this provision will remain the same.

The final bill limits the itemized deduction of primary residence property taxes, state income and personal property tax combined to \$10,000 for both individuals and joint filers. While this new provision will greatly affect home owners in higher-tax states such as New York or California, it will have little effect here in Northern Colorado.

If you are making a move in 2018, know that the new bill no longer allows deductions for moving expense, except for members of the Armed Forces.

