

# 2018 Tax Law Reform: Comparing Prior Law vs. New Law

## Provisions Affecting Real Estate Owners and Agents

There have been significant changes to the federal tax laws beginning in 2018, many of which affect the real estate industry. The California Association of REALTORS® has published the following chart as a helpful comparison of the changes of interest to homeowners and real estate professionals.

|  | Prior Law   | New Law  |
|--|---|--|
| Mortgage Interest Deduction (MID)  | Capped at \$1,000,000   | Capped at \$750,000  |
| State and Local Tax Deduction  | Unlimited   | The total of income, sales and property tax deductions is capped at \$10,000                             |
| Capital Gains Exemption on Sale of Primary Residence   | Exclusion of up to \$250,000 (\$500,000 if married) of gain realized on sale or exchange of principal residence if lived in for 2 of last 5 years | No change  |
| 1031 Like-Kind Exchanges   | Applied to all classes of property (e.g., personal and real)  | Limits non-recognition of gain to real property  |
| Personal Deduction   | Allowed   | Eliminated   |
| Standard Deduction   | \$6,350 individual and \$12,700 if married  | \$12,000 individual and \$24,000 if married  |
| MID for Second Homes   | Capped at \$1,000,000   | Capped at \$750,000  |
| Home Equity Loan Deduction   | Capped at \$100,000   | Not deductible unless the proceeds are used to substantially improve the property                        |
| Moving Expense Exclusion and Deduction   | Deduction for moving expenses incurred in connection with change in work place  | Eliminated except for members of armed forces on active duty that move pursuant to military orders       |
| Child Tax Credit   | \$1,000 for each child  | \$2,000 for each child   |
| Deduction for Qualified Business Income of Pass-Through Entities Including Independent Contractors | None  | 20% deduction of taxable income phased out above \$157,000 (\$315,000 if married) for brokerage services |
| Depreciation Recovery Period for Real Property (Residential Rental)                                | Recovery period is 27.5 years   | No change  |
| Depreciation Recovery Period for Real Property (Nonresidential)                                    | Recovery period is 39 years   | No change  |
| Depreciation Recovery Period for Real Property (Leasehold Improvements)                            | Recovery period is 15 years   | No change  |

Source: California Association of REALTORS®



CypressTitleCo.com