



Hello!

The title article explains the changes The Tax Cut and Jobs Act enacted on December 22, 2017. The new law for 2018 homeownership reduces key incentives in purchasing a home. Please see the full report from NAR (National Association of Realtors) posted on my [webpage](#).

Please check out the sidebar for the some background on one of our most popular holidays, St. Valentine's Day.

Cindy Chew

The Tax Cuts & Jobs Act of 2017

Tax Cuts and Jobs Act of 2017, was formally signed into law on December 22, 2017. There are three key provisions affecting homebuyers: A lower cap on mortgage interest deductions, reduced state and local tax write-offs and the exclusion for capital gains from the sale of a primary residence.

The tax cut bill reduces the \$1 million limit for the home-mortgage-interest deduction down to \$750,000 on homes purchased after 12/14/17. The reduction in the amount of mortgage interest allowed will have an adverse impact in areas of the PVP with \$1,745,000 being the average price of property in 2017. Interest remains deductible on second homes, subject to the \$1 million before 12/14/17 and \$750,000 limit if purchased after that date. Interest is still deductible on home equity loans (or second mortgages) if the proceeds are used to substantially improve the residence up to \$100,000.

The tax cut bill caps the itemized deduction to \$10,000 limit for the total of income, sales, state and local property taxes, whether single or married.

But the biggest win for the real estate industry may be that the final tax cut bill maintains the exclusion for capital gains from the sale of a primary residence. This means a taxpayer who sells a home may exclude up to \$250,000 of gain from taxation (\$500,000 if married filing jointly) if he or she has owned and used the home as a primary residence for two of the past five years.

For some homeowners, net after-tax housing costs will increase under the new tax bill. Renting may become relatively more attractive for those on the fence about becoming homeowners. And people still determined to buy may find the supply of homes on the market has dried up. The paring down of deductions of the popular homeownership incentives will affect millennials, first-time buyers of any age, and millions of people living in high-cost housing markets such as California.

Moreover, by treating current homeowners better than future buyers, the bill creates a *dis*-incentive for people already in million-dollar homes to move reducing the already low inventory. It will also give those thinking about trading up to homes costing more than \$750,000 a reason to reconsider, likely constraining the already tight supply of less expensive homes.

With the new tax bill, it just got more expensive to own a home in high tax and high price areas like California. For some people, the changes combined with rising prices, may mean home buying no longer makes financial sense. Since home prices are rising faster than wages, salaries, and inflation, we could see potential home buyers retreating out of the market particularly in expensive West Coast cities.

To read the NAR issue brief go to my webpage under the E-NEWSLETTER tab or [click here to go directly to it](#).

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St. Valentine's Day

February 14th



The history of St. Valentine's Day—and the story of its patron saint—is shrouded in mystery. We do know that February has long been celebrated as a month of romance, and that St. Valentine's Day, as we know it today, contains vestiges of both Christian & ancient Roman tradition.

Stories suggest that Valentine may have been killed for attempting to help Christians escape harsh Roman prisons, where they were often beaten and tortured. According to one legend, an imprisoned Valentine actually sent the first "valentine" greeting himself after he fell in love with a young girl—possibly his jailor's daughter—who visited him during his confinement. Before his death, it is alleged that he wrote her a letter signed "From your Valentine," an expression that is still in use today.

Although the truth behind the Valentine legends is murky, the stories all emphasize his appeal as a sympathetic, heroic and most importantly, a romantic figure. By the Middle Ages, perhaps thanks to this reputation, Valentine would become one of the most popular saints in England and France.