How the 2017 Tax Cuts and Jobs Act Affected Homeowners

Return Claiming Mortgage Interest Deduction¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Deduction Amount</th>
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<tbody>
<tr>
<td>2017</td>
<td>30.1M</td>
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<tr>
<td>2018</td>
<td>11.5M</td>
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DROP IN MORTGAGE INTEREST DEDUCTION CLAIMS
Homeowners who purchased a home after December 15, 2017, can only deduct interest on $750,000 of their mortgage, compared to $1M previously. This changes two things:
1. Makes it harder for a homeowner to reach the standard deduction threshold
2. Lowers the amount of interest that is deductible for the millions of homeowners who can still itemize.

NUMBER OF ITEMIZERS SHRINKS
The new tax law capped state and local tax (SALT) deductions at $10,000 and eliminated miscellaneous itemized deductions. This change, along with an almost doubling of the standard deduction, caused many people who itemized in the past to fall below the threshold and opt for the standard deduction. Millions of others, who are still itemizing, found that their taxes went up significantly because of the new limit.

MAJOR CUTBACKS FOR MIDDLE CLASS HOMEOWNERS
The large increase in the standard deduction threshold and the new $10,000 cap on state and local taxes caused many filers in the income range of $50k-$200k, who itemized in past years, to opt for the standard deduction in 2018. A high percentage of current and potential homeowners fall in this “middle class” income range and as the numbers show, very few of them reap any tax incentive for owning a home.

WHAT THIS MEANS FOR CURRENT AND PROSPECTIVE HOMEOWNERS

Key Takeaway
Of the three households, only one is getting a tax benefit for owning a home, and that one is cut in half from what it was before the new tax law. The tax incentive for households to move from renting to owning is nearly eliminated for most Americans.

What Now?
Homeownership is a pillar of strong communities and a major contributor to the economy, but the 2017 Tax Cuts and Jobs Act slashed tax incentives for owning a home, especially for millennials, middle-class, and minority households. We need policymakers to support the dream of homeownership and growth in our communities by passing laws that assist families and individuals on the path to owning a home.

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Learn More
homeownershipmatters.realtor/realor-petition

Sources
2. IRS - Mid-July Filing Season Statistics by AGI