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2018 Tax Reform

Will it Affect my Mortgage Deduction?

You've likely heard about the new tax plan and the changes coming to our tax code. I am not a certified public accountant (CPA) and cannot speak to how this may directly affect you individually, but I can share how the changes may affect your mortgage tax deduction.

One benefit of home ownership is being able to deduct your property taxes and mortgage interest on your income taxes.

For example, let us say you buy a home for \$275,000 and the taxable value is 1.25 percent of the sales price. On a mortgage at 80 percent loan-to-value accruing interest at 4 percent, you can expect to pay around \$8,700 in interest and \$3,400 in taxes, a total of \$12,100, the first year. This amount will decrease each year as you pay down your principal.

Under the current tax code, the standard deduction is \$6,350 for single filers and \$12,700 for married

filing jointly. If you had no other deductions, it would benefit you to itemize if you were single but not if you were married filing jointly.

The proposed tax plan will increase the standard deduction for single filers to \$12,500 and married filing jointly to \$24,000.

Using our example, the \$12,100 mortgage deduction falls below the standard deduction for both single and married filing jointly.

Owning a home is an American dream for many people, and there are benefits to home ownership other than a tax break. Before you decide to purchase, be sure to look at the full picture of ownership.

With many current deductions and potential phase-outs of those deductions if the new tax proposal passes, it's important to do your homework. Talk with your CPA and ask them to show you a future tax plan based on the proposed law.

When you decide to buy or refinance, first talk to a local lender. The more knowledge you have about the mortgage process, available loan options and your individual qualifications, the more satisfying your home buying experience will be.

I am here to help, even if you are not an RCB Bank customer. Feel free to call me at 405-608-5291 or email kwohl@bankrcb.net.

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Sources: taxpolicycenter.org and irs.gov

