

Tax Provision	New Law	Prior Law
<b>Home Mortgage Interest Deduction</b>	<p><b>Effective 2018.</b> The acquisition debt limit is reduced to \$750,000. The \$1 million debt limit still applies if a taxpayer has entered into a binding written contract before December 15, 2017 to close on the purchase of a principal residence before January 1, 2018, and actually purchases the residence before April 1, 2018. The \$1 million debt limit also continues to apply for acquisition debt incurred before December 15, 2017 that is refinanced on or after December 15, 2017. Interest on home equity debt is no longer deductible.</p> <p>The new mortgage interest limits expire after 2025.</p>	<p>Interest paid on a home mortgage for a principal residence and one other residence is deductible as an itemized deduction, subject to limits on the amount of debt secured by the residence. Acquisition debt (debt to purchase or improve a residence) is limited to \$1 million. Home equity debt (any debt secured by the residence that is not acquisition debt) is limited to \$100,000. Acquisition debt that is refinanced is still acquisition debt, provided the refinanced amount does not exceed the loan balance of the acquisition debt immediately prior to it being refinanced, plus any amount used to improve the residence.</p>
<b>Taxes Paid – Itemized Deductions</b>	<p><b>Effective 2018.</b> The new law limits, as an itemized deduction, up to \$10,000 (\$5,000 MFS) for the aggregate of:</p> <ol style="list-style-type: none"> <li>1) State and local property taxes not paid or accrued in carrying on a trade or business, or an activity described in IRC section 212, and</li> <li>2) State and local income, war profits, and excess profits taxes (or sales taxes in lieu of income taxes, etc.) paid or accrued in the taxable year.</li> </ol> <p>An itemized deduction for foreign property taxes not connected with a trade or business is no longer allowed. Special rules prevent the deduction in 2017 of pre-paid 2018 state and local income taxes to avoid the deduction limitation for 2018. Such pre-payments are considered 2018 payments, subject to the 2018 limitations.</p> <p>The new limitation on taxes paid expires after 2025.</p>	<p>Certain taxes that are not paid in connection with a trade or business are deductible as itemized deductions. These taxes include:</p> <ol style="list-style-type: none"> <li>1) State and local real and foreign property taxes,</li> <li>2) State and local personal property taxes,</li> <li>3) State, local, and foreign income, war profits, and excess profits taxes. At the election of the taxpayer, an itemized deduction may be taken for state and local general sales taxes in lieu of state and local income taxes.</li> </ol>