The Tax Cuts and Jobs Act: Talking Points for Texas REALTOR® Leaders

On Dec. 22, 2017, President Trump signed the “Tax Cuts and Jobs Act” as passed by Congress. All individual provisions of the measure are generally effective after Dec. 31, 2017 for the 2018 tax filing year and expire on Dec. 31, 2025 unless otherwise noted. The provisions do not affect tax filings for 2017 unless noted.

Below are several real estate-related provisions addressed in the new law. Read NAR’s extensive analysis of the law at TexasRealEstate.com/TaxReform.

What the law changes

- Mortgage interest deduction
  - Reduces the limit on deductible mortgage debt to $750,000 for new loans taken out after 12/14/17.
  - Current loans of up to $1 million are grandfathered and not subject to the new cap. Neither limit is indexed for inflation.

- Home equity loan interest deduction
  - Repeals the deduction for interest paid on home equity debt through 12/31/25.
  - Interest remains deductible on home equity loans (or second mortgages) if the proceeds are used to substantially improve the residence.

- State and local property tax deduction
  - Caps the itemized deduction for state and local property taxes (and income or sales taxes) at $10,000. This limit isn’t indexed for inflation.
  - This deduction was previously unlimited.

- Moving expenses
  - Repeals the moving expense deduction, except for members of the Armed Forces.

- Standard deductions
  - Doubles the standard deductions for individual filers (to $12,000) and joint filers (to $24,000). This deduction is indexed for inflation.
  - This greatly reduces the value of the itemized MID and property tax deductions as tax incentives for homeownership, as more filers are expected to take the standard deduction rather than itemizing.

What will not change

- Like-kind exchanges for real property
  - Retains the Section 1031 Like Kind Exchange rule for real property, but repeals the use of Section 1031 for personal property.

- Capital gains
  - Retains current law related to capital gains on the sale of a principal residence

- Deductions for medical expenses and student loan interest
  - Retains current law for these itemized deductions
Local Property Taxes Across Texas

The new law puts a $10,000 limit on property tax deductions. The Texas Association of REALTORS® used IRS data to identify 61 ZIP codes across Texas whose average 2015 local property tax deduction exceeded $10,000.

As property values increase statewide and local tax rates aren't lowered, more Texans will see their property tax bills increase and even exceed the $10,000 deduction cap, limiting their ability to take advantage of this incentive for homeowners.

Dallas-Fort Worth: Average Local Property Taxes above $10,000 (2015)

Austin: Average Local Property Taxes above $10,000 (2015)

Houston-The Woodlands-Sugar Land: Average Local Property Taxes above $10,000 (2015)

San Antonio: Average Local Property Taxes above $10,000 (2015)

El Paso: Average Local Property Taxes above $10,000 (2015)

Corpus Christi: Average Local Property Taxes above $10,000 (2015)