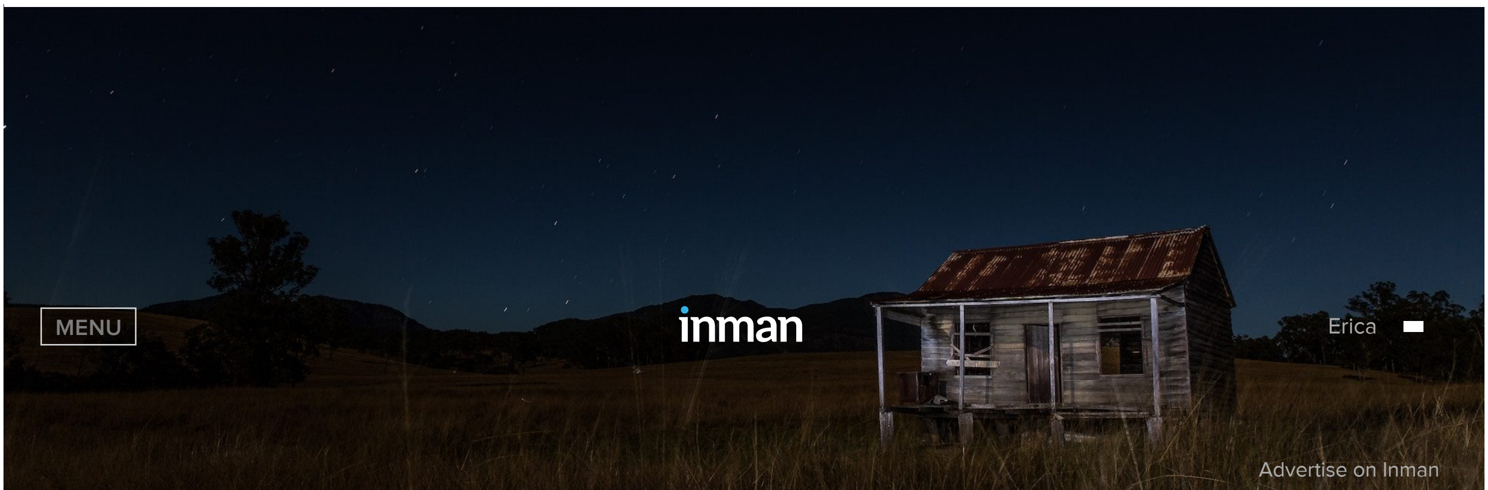

ANALYSIS | INVESTING

Home values nationwide to see sharp declines from GOP tax plan

NAR analysis predicts declines of $56K in Cali, and more than $40k in CT, MA and HI

BY **JOTHAM SEDERSTROM**
NOV 30

Home values in California could plunge by more than $56,000 and owners there could be exposed to $30,000 in new capital gains taxes under a House tax proposal that would cap the mortgage interest deduction at $500,000 and alter tenure requirements, new data indicates.

The brunt impact of the so-called "Tax Cuts and Jobs Act" on California home owners is merely one of the alarming insights to emerge from a new state-by-state analysis by the National Association of Realtors (NAR) of the GOP tax bill that passed in the House on November 16.

"We know definitively that the tax reform proposals pending in Washington would hurt home values in every state across the country," said NAR President Elizabeth Mendenhall in a statement emailed to Inman. She continued:

"And while some states would get hit harder than others, changes to the capital gains exclusion are among the many that could affect every homeowner regardless of their income or property value. There is real cause for concern that this kind of tax reform would harm homeownership, both for prospective buyers and for current owners. Realtors are doing their part to make sure lawmakers and homeowners have a clear understanding of what's at stake."

Owners in Connecticut, Massachusetts and Hawaii could all suffer significant home value declines of more than $40,000 under a House bill that would slash the mortgage interest deduction in half, from $1 million to $500,000, for newly purchased homes. A Senate bill expected to be voted on as early as Thursday evening currently preserves the current mortgage interest deduction for new homes at a cap of $1 million.

And because of provisions in both bills that would obligate owners to occupy a primary residence for five of the past eight years to qualify for tax exemptions, sellers in Colorado, Oregon and Washington could be exposed to nearly $20,000 in capital gains

But the impact on Californians is the most severe, with approximately 6.9 million owner-occupied homes, nearly half valued at more than $500,000, effected by the new proposals. According to the NAR analysis, 4.3 million homeowners claimed a mortgage interest deduction and under the House bill many would be exposed to $28,875 in capital gains taxes. As for home values, many could see declines of up to $56,550, according to the NAR analysis.

A separate analysis by Zillow last week, meanwhile, suggested that Palo Alto and a host of other upscale towns in California, where median values clock in at approximately $2.5 million, would be faced with a whopping $97,200 in capital gains taxes upon selling with the first four years of ownership.

"Of the approximately 6,943,000 owner-occupied houses in California in 2016, 71 percent had a mortgage," according to the authors of the NAR analysis, released on Wednesday. "49.1 percent of the housing units with a mortgage had a value higher than $500,000 while 9.0 percent of the owners paid over $10,000 for real estate taxes. Vacation homes accounted for 2.7 percent of the housing units in California."

Chock-a-block with new data, the NAR analysis indicates that home values in Massachusetts could plummet by up to $49,450, or 14 percent, under the House tax proposal, while new tenure requirements in both bills could expose sellers to nearly $10,000 in new capital gains taxes.

In Connecticut, meanwhile, home values could fall by as much as $44,700 while sellers could be faced with a moderate increase of $240 in new capital gains taxes, owing to local tax regulations.

Colorado homeowners, too, could see values fall by as much as $36,000 while facing $19,125 in new capital gains taxes if they choose to sell within four years of purchasing their home.

Email Jotham Sederstrom

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Carlos Hernandez
I am wondering if this is the same assumption as to how the market was supposed to crash after Trump was elected!
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Bobette Ready Gonzalez · Northbrook High School
me too!
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Crossvine Realty
It's fascinating to see a liberal complain about a tax increase. Especially when that increase is, in particular, on people who own $500k+ homes (aka "the rich")...
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Pete Thorpe · REALTOR®; Licensed at Cummings & Co. Realtors
Plunge $50k ? On homes that routinely sell for $100k+ or more over asking price? The vast majority of the country won't see a hit from this, if it even comes to pass.
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Bruce Ailion · Associate Broker at RE/MAX Town & Country
Some of us remember the impact of the Tax Reform Act of 1984. It was more than 10 years before I could sell property I owned at a profit due to the government's manipulation the tex code. It is irresponsible to borrow to give tax cuts. It is irresponsible to not allow people to deduct interest and state and local taxes.

This is low even for NAR. Nothing but scare tactics. It's never going to happen and they know it.

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Jeff Secrest · Click here to visit business page. at Jeff Secrest, Associate Broker - Samson Properties

If DJT tries to put more money in the pockets of consumers, you can count on NAR to criticize him — and paint a “doom and gloom” picture of what is to come. The headline says that the decline will be nationwide. I suppose that they predicted that the stock market would crash if Donald J. Trump got elected. Maybe, just maybe, the economists who NAR rely on should get fired — or perhaps the “left leaning” NAR itself loves to be critical of our current President.

Like · Reply · 3 · 59 mins

Margaret Summers · Broker Associate at Coldwell Banker Real Estate LLC

I've been in real estate for 30 years...I can't remember when any buyer asked me what the tax consequences were when looking for a home. All they were interested in was how many bedrooms, baths, how much land, etc. Of course, the buyers I worked with were not investors...they simply wanted a place to call their own. They wanted to be able to paint the walls red, or have a big dog, or be able to look forward to the day when they would not have a mortgage payment. And with low inventory right now, pricing is only going to go up regardless of any tax problems. Of course, that could all change if we suddenly experience an increase in homes being place on the market...but, life changes. Somehow we will all cope. I just think it is pretty hard to change years of the American dream of owning land....no matter what the tax laws are.

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Paula Martin · Works at Keller Williams Metropolitan

I think its short sided to think this wont have a significant impact on real estate. The capital gains will effect how often homes turn over. NH will be hit especially hard as we fund our schools w/ our land tax which will be amended and to say that just because someone owns a home worth over $500k is "rich" is inaccurate, in many markets that is the cost of living especially on both the west and east coast. Tax reform is necessary but this is NOT the right program.

Like · Reply · 55 mins

Mike Butson · Realtor/Partner at Dena Davis Mike Butson Team

While I appreciate that NAR should go up against issues that are negative to real estate, this tactic seems irresponsible and more likely to crate harm than the tax bill itself. "The sky is falling" tactic does not often work as intended.

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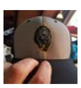

Joe Busch

I am as concerned about the 5 year occupancy provisions. We all ready have an inventory shortage. This provision will slow the flow of inventory for sure.

Like · Reply · 29 mins

Hammer J. Helmer · Founder at OriginatorSuccess

NAR, when it doesn't get it's way, screams about how the sky is falling. What a joke.

Like · Reply · 22 mins

Jim Moreno · REALTOR®; Licensed at Keller Williams Diamond Partners Inc.

Just because California is taking a hit doesn’t mean the entire agent population should weigh in to encourage Congress to vote against this. Show me more statistics across all states. California’s real estate market is drastically inflated.

This reminds me of the state and local tax deductions that states like CA and NY receive when filing federal taxes. Those need to go away also. Quit expecting the “fly-over” states to subsidize your cost of living. Pay your fair share or move.

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