

California

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Of the approximately 6,943,000 owner-occupied houses in California in 2016, 71% had a mortgage. 49.1% of the housing units with a mortgage had a value higher than \$500,000 while 9.0% of the owners paid over \$10,000 for real estate taxes. Vacation homes accounted for 2.7% of the housing units in California.

Facts on tax deductions

	Mortgage interest deduction claimants	Real estate taxes deduction claimants	Sales Tax deduction claimants*	Income taxes deduction claimants*	Student Loan deduction claimants
Number of taxpayers claiming:	4,279,200	4,817,500	963,600	5,002,300	1,100,100
	Mortgage interest deduction amount	Real estate taxes deduction amount	Sales Tax deduction amount*	Income taxes deduction amount*	Student loan deduction amount
Average amount subtracted from taxable income:	\$12,300	\$5,900	\$1,500	\$16,000	\$1,030
	Mortgage interest deduction savings	Real estate taxes deduction savings	Sales tax deduction savings*	Income taxes deduction savings*	Student loan deduction savings
Average savings at 25% marginal rate:	\$3,070	\$1,470	\$380	\$4,000	\$260

*taxpayers can claim a deduction for state and local income taxes paid to other states. (e.g. owning a rental property in another state, being a partner in an out-of-state partnership, being an S corporation shareholder and the corporation does most of the business in a state other than the state where you live etc.)

Capital gains exemption

Under current tax framework, a typical owner, who has lived in his house for at least 2 years out of the last 5 years, will pay nothing in capital gain taxes if he sells his house. Under the proposed tax frameworks, owners need to live in their house for at least 5 out of the last 8 years in order to claim the exemption. Otherwise, they need to pay \$28,875 in capital gain taxes.

In 2016, 13.0% of owners in California have lived in their homes for 2-4 years. These owners will not be able anymore to take the exemption based on the proposed tax frameworks.

Impact on housing prices

If both mortgage interest and real estate taxes deductions will be eliminated, home prices expect to fall from 8% to 12%. A decline in value as projected could mean a loss in home value of \$37,710 - \$56,550 for the typical homeowner.