

# 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
<b>Number of taxpayers claiming:</b>	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
<b>Average amount subtracted from taxable income:</b>	\$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
<b>Average savings at 25% marginal rate:</b>	\$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.