

What you should know about buying and selling under the new tax law

Q: I am a senior, widowed and have some retirement income and savings. I am concerned about the implications of the new tax law.

I plan to sell my house, which I bought 34 years ago, and buy another replacement home near where my son lives. I am concerned about the increase in property taxes I'll have to pay. My current home has a lower property tax due to Proposition 13 in California. Also, I'm wondering how the mortgage limit of \$750,000 will affect me and whether it will mean I will have to put down a higher down payment. Home prices in Los Angeles where my son lives are quite high.

Since I can only deduct \$10,000 (filing single) in itemized deductions what are my alternatives? My deductions are higher than that when you include my charitable donations. If I had a rental property, could I depreciate that property? How do I show the rental income and expenses?

A: The recent tax law made no changes to the home sale exclusion rules. That means that if you are single and selling your principal residence, you get to exclude from any federal income taxes the first \$250,000 in profit on the sale (it's \$500,000 for those who are married). That principal residence, however, must have been your principal residence for two out of the last five years.

So when it comes time to sell your home, you won't have to pay federal taxes on the profits if they are less than \$250,000.

When it comes to mortgages, under the new tax law, you'll only be able to deduct interest on the first \$750,000 of your new mortgage loan. Under the old law, you could deduct interest on up to a \$1 million loan plus

a \$100,000 equity loan. The new law reduced the amount of the primary loan and eliminated the deductibility of interest on the equity loan. (If a homeowner took out a loan before December 2017, that homeowner is grandfathered in under the old law.)

But you raised the newest and hottest issue relating to the deductibility of real estate taxes and state income taxes. You are limited to a maximum deduction of \$10,000 for both of those items. So if your property taxes are \$10,000, you'll get that deduction but then nothing for any state income tax payments. Likewise, if you pay \$10,000 in state income taxes, you won't get to deduct any of your real estate taxes.

What will that mean for you? Well, if you have \$20,000 of state income tax and property tax payments, you'll get to reduce your federal income taxes by \$10,000 and not \$20,000. Given that you are retired, if we assume that your federal income tax rate is 20 percent, you'll end up paying \$2,000 more in federal income taxes due to your inability to deduct \$10,000. That means that you have to factor in a higher cost of living near your son as a result of your inability to fully deduct your real estate taxes and/or state income taxes.

You should know that charitable donations were not impacted by the tax law, and if you own investment real estate the rules there didn't change either. If you own a rental property, you can run that rental property as you have always done by taking depreciation, offsetting income with expenses including mortgage interest payments and real estate taxes.

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KENNEWICK HORSE PROPERTY
BENTON COUNTY, KENNEWICK, WA
6.29 acres with an indoor arena, horse barn, shop, with a new 2,254 square feet of home, built in 2009 with too many amenities to list. A must see! **\$700,000. RG#02916**



BAKER VALLEY RANCH
BAKER COUNTY, HAINES, OR
88.98 ac. nestled at the base of the Elkhorn Mountains. Main house, several outbuildings, hay/livestock barn and cattle working facility. Irrigated grass pasture which has been used for hay production and livestock grazing. **\$549,000. RG#03116**

HATLEY DEVELOPMENT PROPERTY - UMATILLA COUNTY, PENDLETON, OR - 14.66 acres located in Southeast Pendleton at the Red Lion Interchange. Commercial Investment property ready for development. Tremendous Blue Mountain views, ideal for motel and/or apartments. **\$733,000. RG#03117**

DOUBLE BAR F RANCH - MALHEUR COUNTY, ONTARIO, OR - 115 acres, 66 acres irrigated. Pond, 2,500 sq. ft. home, and outbuildings. Wildlife, views, 6 miles from Ontario. **\$550,000. RG#01915**

TIN PAN MEADOWS - UMATILLA COUNTY, WESTON, OR - Investment opportunity. 102 +/- forested acres off of Hwy 204 south of Walla Walla. 65 acres are zoned FR (Forest Residential) which allows for the development of 5 acre tracts. Power to the property and a good well. Lots of wildlife. May be suitable for a conservation easement. WMU 54. **\$525,000. RG#02416**

HAWKINS PARCEL 1 - UMATILLA COUNTY, PENDLETON, OR - 11.6 acres of dryland pasture, 7 miles NW of Pendleton. 3 bedroom, 1 bath home with laundry area and deck. Large shop with multiple large overhead doors and living quarters. **\$385,000. RG#02817**

PILOT ROCK IRRIGATED ACRES - UMATILLA COUNTY, PILOT ROCK, OR - 76 +/- deeded ac / East Birch Creek running through the property. 63.3 acres containing water rights. 27 ac alfalfa and grass mix and 37 ac wheat hay. Irrigated with 3 wheel lines & sub-irrigation. 40'x46' metal shop, equipment yard and 2 wells. Buildable lot within the city limits. **\$385,000. RG#01517**

SOLD - SADDLE MOUNTAIN CRP FARM - UMATILLA COUNTY, MILTON-FREEWATER, OR - 287.30 ac with 143.09 ac in CRP. Multiple developed springs, buildable home site, LOP tags for Walla Walla Unit. **\$350,000. RG#01617**

STEVENSON FARM #1 - UMATILLA COUNTY, PENDLETON, OR - Development potential on this 76.37 acre parcel. Zoned to allow the creation of 4ea nine acre lots with 40+ acres of river bottom remaining for recreation. **\$350,000. RG#02415**

MISSOURI GULCH DRYLAND WHEAT/CRP FARM - UMATILLA COUNTY, PENDLETON, OR - REDUCED - 394.73 total acres of which 172 acres are enrolled in CRP through 2022 with balance of acres in production. The farm is located in the Missouri Gulch area, northwest of Pendleton. Clean farm. Production records available. **\$312,000. RG#02914**

BIG BUTTERCREEK CRP - MORROW COUNTY, ECHO, OR - CRP income property. 186.9 acres of land with 157.7 acres of CRP. Annual CRP payment of \$10,992 with power and well located on the property. CRP contract runs through 2020. The balance of the property is range pasture. **\$295,000. #RG03515**

ELKHORN MOUNTAIN GETAWAY RANCH - BAKER COUNTY, BAKER CITY, OR - 230 +/- acres timber parcel located between Rock Creek and Muddy Creek. Adjacent to ODFW area at the base of the Elkhorn Mountains. Buildable. Located 8 mi West of Haines. **\$229,000 RG#00717**

BALLARD CREEK - BAKER COUNTY, OXBOW, OR - 160 acres hunters paradise surrounded by BLM and NF 3 sides. Good water and timber. Zoned timber/grazing. **\$160,000. #RG01916**



SKELLS PROPERTY
UNION COUNTY, UNION, OR
Secluded buildable 80 +/- acres near Tollgate and the Spout Springs Ski Resort. Mixed timbered and open parcel on the breaks of Lookingglass Creek. Forest Road access is seasonal. Bordered on 2 sides by Umatilla National Forest. Great view property. WMU 56. **\$290,000. RG#02316**



THE CATHERINE CREEK PROPERTY
UNION COUNTY, UNION, OR
325.97 +/- acres. Timber parcel with 1/2 mile of Catherine Creek. 1 mm BF timber per 2010 cruise. Adjacent to USFS. Downstream from wilderness access area. 11 mi south of Union. **\$499,000. RG#02614**

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