



## beyond the headlines



### **Prepaying Your Property Tax? I.R.S. Cautions It Might Not Pay Off**

*Source: The New York Times*

The Internal Revenue Service has a message for the homeowners rushing to prepay their property taxes before new rules take effect on New Year's Day: Not so fast.

The tax bill that President Trump signed into law last week sharply limited the itemized deductions for state and local taxes while raising the standard deduction for individuals and couples. Those rules do not take effect until 2018, however. That has led some homeowners, particularly in high-tax, affluent areas, to try to prepay their 2018 property taxes before the deduction disappears.

Making sense of the story:

- In an advisory notice posted to its website on Wednesday, the I.R.S. said that maneuver could work, but only under limited circumstances.
- To qualify for the deduction, property taxes not only need to be paid in 2017, they must also be assessed in 2017 — meaning that homeowners who prepaid their taxes based on estimated assessments, or who tried to pay several years' worth of taxes at once, will probably be out of luck.
- It is not clear how many people have tried to prepay their taxes. In Fairfax, Va., hundreds of people lined up to prepay taxes on Tuesday, according to local media reports, and communities in New York, New Jersey and other states have likewise reported a rush of prepayments.
- The I.R.S. guidance is advice to taxpayers and tax preparers, not a legal ruling. And the agency did not define what it means for a tax to be "assessed."
- Property tax schedules vary widely from state to state and even county to county. Some states have already sent out tax assessments for part of 2018, even if the payments are not due until next year. In those states, tax lawyers said, homeowners who prepay taxes will almost certainly be able to deduct their taxes under the 2017 rules.
- Other states have not even begun the 2018 assessment process. In those states, prepayment almost certainly will not help taxpayers.

Read the full story: <https://www.nytimes.com/2017/12/27/business/prepaying-your-property-taxes-irs-cautions-it-might-not-pay-off.html>

## **In other news...**

### **Three California housing issues to watch in 2018**

*Source: The Los Angeles Times*

Rising rents and home prices forced California's housing crisis to the front of Gov. Jerry Brown's and lawmakers' agenda in 2017. Legislators passed the most comprehensive package of housing bills in recent memory designed to increase spending on low-income development and encourage more construction in general. But the bills, according to independent analyses, won't do much to make housing cheaper in the state.

Expect more focus on housing issues at the Capitol and on your statewide ballot in 2018. Here are three to watch.

1. A rent control battle
2. The future of Proposition 13
3. How lawmakers will follow up on this year's housing efforts

Full story: <http://www.latimes.com/politics/la-pol-ca-housing-stories-to-watch-20171227-htmlstory.html>

### **Accessory dwelling units are adding much needed housing in San Francisco**

*Source: CNBC*

In 2014, San Francisco passed legislation allowing property owners to add accessory dwelling units, or ADUs, to their homes and buildings. The law was then expanded in late 2016 so that any building with at least five existing apartments could add an unlimited number of units, the San Francisco Chronicle reports.

As property owners take advantage of the new law, the city has seen an explosion of ADUs over the past year. "There are now 1,046 ADUs in the pipeline, with building permits approved for 531 of them," according to the Chronicle.

These units, often called "granny flats," typically consist of converted garages or basements. "Pretty much every multi-unit building with crappy old storage rooms is taking a look at this," John Pollard of the SF Garage Co. told the Chronicle. "You've got all these property owners that realize they are sitting on dead equity."

That means everything from a boiler room to basement storage has the potential to become a new housing unit. One landlord in San Francisco's Nob Hill neighborhood is turning a ground-floor dining hall into seven individual units, the Chronicle reports. The apartments will be between 220 and 381 square feet and cost anywhere from \$2,400 to \$2,800 a month.

Full story: <https://www.cnbc.com/2017/12/27/accessory-dwelling-units-add-much-needed-housing-in-san-francisco.html>

## **Survey: Most say tax law will change their plans to buy a home**

*Source: The Mercury News*

Three out of four potential homebuyers responding to a recent online survey said the newly passed GOP tax overhaul will alter their plans to buy a home, according to a nationwide poll released Thursday, Dec. 21, by Realtor.com.

Nearly 30 percent said they plan to speed up their home purchase, with 31 percent saying they'll postpone a purchase, the survey showed. Twenty-six percent said they either will buy a less expensive home or buy in a different location.

Just 23 percent said the tax bill will not change their plans to buy a home.

On the seller side, most said the tax bill won't affect them. Fifty-seven percent said the new tax law will have no impact on plans to sell their home.

Congress voted Wednesday, Dec. 20, to send the bill to President Donald Trump for his signature.

The findings are based on a survey of 2,324 randomly selected respondents surveyed Monday and Tuesday. Almost a fourth of those surveyed said they had planned to buy a home in the next year, while just over a fifth said they're planning to sell their home in the next year.

Full story: <https://www.mercurynews.com/2017/12/22/survey-most-say-tax-law-will-change-their-plans-to-buy-a-home/>

## **Existing home sales set to end the year at highest point since 2006**

*Source: HousingWire*

Pending home sales inched up slightly in November, indicating that existing home sales will also inch up in December, according to the latest release from the National Association of REALTORS®.

But even as home sales increase at the end of this year, headed into 2018, NAR forecasts existing home sales and home price growth will slow primarily due to the altered tax benefits of homeownership in some high cost areas.

The Pending Home Sales Index, a forward-looking indicator based on contract signings, increased 0.2% to 109.5 in November, up from 109.3 in October. This modest increase means the index remains at its highest reading since June, and is up 0.8% from last year.

“All of the leading indicators of housing activity, pending home sales, purchase applications from the MBA's mortgage applications survey, and the National Association of Homebuilder's housing market index, have pointed higher in recent months, suggesting that home sales ended the year on a high note,” Nationwide Chief Economist David Berson said.

Full story: <https://www.housingwire.com/articles/42153-existing-home-sales-set-to-end-the-year-at-highest-point-since-2006>

## **California will soon see impact of GOP tax plan with loss of affordable housing**

*Source: The Orange County Register*

The new Republican tax overhaul will likely chop plans for thousands of new affordable homes in California and further squeeze low-income renters, but experts say the impact could have been more severe.

The tax law, signed by President Donald Trump last week, preserved two threatened federal programs that are key to building tens of thousands of affordable homes in California — low-income housing tax credits and tax-exempt private activity bonds.

But experts estimate the new tax rules could still reduce federal funding for subsidized housing in the state by 20 percent, translating to roughly \$500 million a year of projects and 4,000 new units lost.

“The worst possible hits were taken out of the bill,” said Carolina Reid, assistant professor of city and regional planning at UC Berkeley. But, she added, “It does nothing to actually promote affordable housing.”

Advocates say the need for affordable housing has become more visible and urgent, as Bay Area residents priced out of expensive apartments turn to alternatives — from sharing crowded houses and apartments with family, friends and strangers, to living in vehicles and RVs.

Full story:

<https://www.ocregister.com/2017/12/25/affordable-housing-takes-hit-under-gop-tax-plan-2/>

### **What you should know**

- As expected, mortgage rates felt the effect of last week’s surge in long-term interest rates in the final, shortened week of 2017.
- The 30-year fixed mortgage rate increased 5 basis points to 3.99 percent in this week’s Freddie Mac survey.
- Although this week’s survey rate represents a five-month high, 30-year fixed mortgage rates are still below the levels seen at the end of last year and early part of 2017.