

## **2008 Housing Act - Property Tax Deduction for Non-Itemizers**

Included in the \$15.1 billion package of housing tax incentives in the recently enacted "**Housing Assistance Tax Act of 2008**" (**the Housing Act**) is a measure creating a new, temporary property tax deduction for non-itemizers (i.e., for taxpayers who claim the standard deduction rather than itemizing their deductions). Here is a brief overview of this new provision:

- The provision creates a new standard deduction for state and local real property taxes paid by non-itemizers. Since most homeowners who are paying on a mortgage have enough deductions (e.g., mortgage interest and property taxes) to justify itemizing them on their return, this new provision chiefly benefits homeowners who have paid off their homes.
- The deduction is available only for one year--for tax years *beginning in 2008*.
- *The amount of deduction is as much as \$500 for single filers and \$1,000 for joint filers.* Since this is a deduction and not a credit (i.e., a dollar-for-dollar reduction in tax liability), the actual tax benefit will not be substantial, for example, a maximum of \$100 to a couple in the 10 percent tax bracket and \$150 to a couple in the 15 percent bracket (and only \$50 and \$75, respectively, to singles in these brackets).
- The deduction isn't limited to taxes paid on a principal residence. Thus, for example, it may be claimed for state and local taxes paid on a vacation home as well as a principal residence.

I hope this information is helpful. If you would like more details about this provision or any other aspect of the new law, please do not hesitate to call.

Very truly yours,

*Solar & Kilcoyne, PC*