CONSUMER GUIDE: STATE AND LOCAL TAX (SALT) DEDUCTIONS

Homeownership has always had its perks when it comes to tax deductions, but the latest tax reform helps homeowners save even more money. Here's why.

When filing your federal income tax return, you have a choice: Use the **standard deduction** or **itemize** your deductible expenses. When your deductible expenses exceed the standard deduction, it reduces your taxable income—which means less of your hard-earned income goes to Uncle Sam. Most taxpayers today use the standard deduction. For 2025 tax returns, the deduction is $15,750 for single filers, $31,500 for married couples filing jointly, and $23,625 for heads of household. But as a result of the tax reform bill signed into law July 4, 2025, **more current and prospective homeowners are likely to itemize deductible expenses in the coming years to reduce their tax liability.** That's because the legislation temporarily quadruples the amount of money you can deduct for the state and local income taxes (SALT)—including property taxes—you've paid.

Beginning with the 2025 tax year, you can claim up to $40,000 in SALT deductions, quadruple the $10,000 maximum in effect from 2018 through 2024. The deduction increases slightly each year through 2029, then reverts to $10,000 unless Congress acts to preserve the increase. (There's a phasedown for those with modified adjusted gross income over $500,000.) The new law also **preserves mortgage interest deductibility** at the level set in the Tax Cuts and Jobs Act (TCJA) of 2017.

Why is deductibility of mortgage interest and SALT important?

The ability to deduct mortgage interest and state and local taxes from your federal return has been a key **benefit of homeownership for more than 100 years.** The TCJA limited the SALT deduction to $10,000 while nearly doubling the standard deduction, driving more taxpayers to use the standard deduction. According to the Tax Policy Institute, in 2017, 31% of individual income tax returns included itemized deductions. That number dropped to 9% in 2020.

Because they pay property taxes, homeowners—especially those in higher-tax states—were disproportionately hurt by the $10,000 limit. That's why the National Association of REALTORS® vigorously advocated for an increase in SALT deductibility. NAR supports policies that make homeownership more accessible and affordable. Homeownership strengthens communities and correlates positively with social benefits such as educational outcomes, civic engagement and health.

How do I take advantage of the new SALT limit?

Deductions are itemized on IRS Form 1040 Schedule A. In addition to SALT, the most common deductible expenses are

- Mortgage interest
- Contributions to qualified charitable organizations
- Medical and dental expenses over a certain percentage of your adjusted gross income

The new tax law also restores deductibility of private mortgage insurance premiums. This insurance is generally required for borrowers who have less than 20% equity in their home.

Be sure to maintain good records and receipts—not only to prove your deductions are legitimate but also to ensure you don't miss any of the deductions you're entitled to.

Every taxpayer's situation is unique. Consult with a qualified tax professional to determine whether you could benefit from the increased SALT deduction. Please visit facts.realtor for more information and resources.