



Jim Malmberg
Realtor® | CalBRE# 01815608

jim@jimalmberg.com
Call or Text me at:
818-642-9867

JOHN HART
REAL ESTATE REDEFINED
CalBRE# 01673088

New State & Federal Real Estate Laws in 2018

It's the beginning of a new year and as always there are laws that went into effect on January 1st. This year, changes to both federal and California law involve real estate. Whether you are thinking of refinancing your home, purchasing a new property or selling an existing property, here is the run-down on the new laws and how they will impact property owners.

California Law

Some of the changes to California law impact homeowners while others impact landlords/ tenant relationships.

Solar System Installation -Impacts homeowners & Landlords

Two new laws impacting solar systems are now in effect.

The first prevents HOA's from imposing rules that prevent the installation of solar systems. The law is applicable to all common interest developments in the state. Homeowners wishing to install their own systems will have to conform to certain design policies of their HOA and may have to purchase additional insurance. You can find the text of the law here:

http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB634

The second law reduces the maximum permitting costs that may be charged by local governments for new systems to \$450 plus \$15 per kilowatt thermal above 10 kilowatt thermals for homeowners. Costs for commercial systems - applicable to apartment owner - are now capped at \$1,000 for up to 30 kilowatt thermals and \$7 for every kilowatt thermal above that.

Marijuana Legalization - Impacts landlord/tenant relationship and homeowners - especially those with an HOA

As of January 1st, recreational marijuana use became legal in California, but that doesn't mean that you can use marijuana anywhere. Public use is forbidden by the new law and landlords can ban its use on their property. Violating marijuana use rules could lead to eviction.

Landlords should speak with an attorney prior to implementing any policy on marijuana. On December 4th, 2018 the US Department of Justice issued a new guidance indicating that regardless of state laws legalizing marijuana, the drug remains illegal at the federal level and classified as a controlled Schedule 1 substance. As such, allowing its use on property that you own may result in federal legal action against you, including asset forfeiture. Put another way, allowing unrestricted pot smoking on your property



Jim Malmberg
Realtor® | CalBRE# 01815608

jim@jimalmberg.com
Call or Text me at:
818-642-9867

JOHN HART
REAL ESTATE REDEFINED
CalBRE# 01873088

could result in you losing your property. You can read the DOJ's guide on asset forfeiture here:
<https://www.justice.gov/sites/default/files/usao/legacy/2007/12/21/usab5506.pdf>

Homeowners that belong to an HOA - all condos and many planned developments - may also run into rules that ban its use. Whether or not such bans are legal is debatable but if your HOA bans all smoking, then a ban on smoking pot would likely also apply. And if your neighbors consider the smoke to be a nuisance, the HOA could have an obligation to action against you.

In addition to the above mentioned, city and county laws may also regulate recreational pot.

Document Recording Fees - Will impact anyone refinancing a loan as well as other forms of transactions

The new law imposes a fee of \$75 for every document recorded on real property, up to a maximum of \$225. These fees are in addition to the normal recording fees. The law (SB-2) exempts recordings associated with the purchase of residential or commercial property but will impact anyone refinancing or taking out a home equity loan. It will also impact any other documents which owners may wish to have recorded in association with their properties.

The purpose of the fee to generate revenue for affordable housing projects.

Flood Zone and Bed Bug Notifications - Applies to landlords/tenants

Landlords with knowledge that their property is in a flood zone will now have to make that disclosure to tenants in their leases.

Landlords are also now required to inform tenant about how to report bed bugs. If a building is currently experiencing a bed bug issue, prospective tenants must be notified, and it is illegal to rent a unit that is known to have bed bugs. Additionally, it is now illegal to evict a tenant for any reason once bed bugs have been reported. That means even if the tenant withholds their rent an eviction can take place until the problem has been eradicated.

Federal Laws

As you probably know, the new tax law has already into effect. That law will impact property owners in several ways.

Mortgage Interest Deduction - Impacts homeowners

The mortgage interest rate deduction has been reduced from \$1 million to \$750,000. As with the old law, you can use the deduction on your primary residence or in combination with your primary



Jim Malmberg
Realtor* | CalBRE# 01815608

jim@jimalmberg.com
Call or Text me at:
818-642-9867

JOHN HART
REAL ESTATE REDEFINED
CalBRE# 01673088

residence and a vacation home. In either scenario, any amount borrowed in excess of \$750,000 will not qualify for the deduction.

Additionally, home equity loans are no longer deductible.

All loans issued prior to January 1st, 2018 are grandfathered under the old law.

Property Taxes - Impacts homeowners, may impact landlords

The new law allows everyone to write off up to \$10,000 in state and local taxes (SALT); including property taxes. Under the old law, you could write off 100% of your property and state income taxes. If you are a landlord and are unincorporated, this change will impact you too.

The state legislature is now looking for a work around to the new law. A proposal has been introduced in the State Senate that would allow Californians to make charitable donations to the state and receive a dollar for dollar tax credit towards their state income taxes. This would allow all state income taxes to be written off and would also allow property owners to use the vast majority of the \$10,000 SALT cap on their property taxes.

Potential Tax Savings at State and Federal Level

Given the impact of the new tax law, many property owners are looking for ways to reduce their taxes. One deduction that is often overlooked is for a home office.

If you maintain a home office, you may be able to depreciate a portion of your primary residence on your state and federal tax returns. This could also help you protect equity in your home by making a portion of your house eligible for a 1031 exchange when you eventually go to sell.

Talk to your accountant or tax professional to see if this approach will work for you.

Please feel free to call or text me at 818-642-9867 for all your real estate needs.

This document is provided as a convenience. Speak with your attorney or tax professional to find out specifically how these new laws impact you.