CAPITOL CONNECTION

KUTAKROCK
ATTORNEYS AT LAW | KUTAKROCK.COM

Services

Public Finance

Tax Reform Advocacy

Tax Reform Advocacy Group

Leslie A. Powell
Atlanta
404.222.4639
leslie.powell@kutakrock.com

Michelle G. Adams
Atlanta
404.222.4646
michelle.adams@kutakrock.com

Matthias M. Edrich
Denver
303.292.7887
matthias.edrich@kutakrock.com

Steven C. Likes
Omaha
402.661.8948
steve.likes@kutakrock.com

Frederic H. Marienthal
Denver
303.292.7817
frederic.marienthal@kutakrock.com

Michael G. Thomas
Denver
303.292.7790
michael.thomas@kutakrock.com

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To join our advocacy efforts, please email taxreform@kutakrock.com.

May 12, 2025

Ways and Means Releases "The One, Big, Beautiful" Tax Package

On the Hill

On May 12, the House Ways and Means Committee released a complete copy of its draft tax reform legislation. You can find it **here**. The Ways and Means Committee will hold a "mark-up" session on May 13, at 2:30 p.m. (ET).

The legislation, entitled "The One, Big, Beautiful Bill," generally breaks down into three major categories: extensions of the 2017 Tax Cuts and Jobs Act, Presidential campaign priorities, and offsets (many of which are achieved by repealing Inflation Reduction Act energy tax policies).

First, the bill does not include any repeal, whether directly or indirectly, of tax-exempt financing for traditional municipal bonds and qualified private activity bonds (housing, airports, manufacturing, student loans, etc.). No guarantee can be made that such a repeal won't be added later, but for now, tax-exempt bonds remain untouched.

Second, the bill does include a number of provisions of specific interest, including (but certainly not limited to):

- Increases the LIHTC cap from 9% to 12.5% for 2026-2029
- Lowers the bond financing requirement from 50% to 25% for 4% LIHTC deals for 2026-2029
- Designates Indian Areas and rural areas as "Difficult Development Areas" and adds 30% boost in basis for 2026-2029
- Permanently extends increased individual alternative minimum tax exemption amounts and phase-out thresholds
- Full expensing for domestic manufacturing structures during year placed in service
- Renews, extends and modifies eligibility for another round of Opportunity Zones
- Allows the Treasury Secretary to suspend the tax-exempt status of any organization that the Department of Treasury determines has provided more than a minor amount of support to a listed terrorist organization

What This Means for Tax-Exempt Bond Issuers

Again, until the final bill is signed, private activity bonds and other tax-exempt bond financings remain under threat. However, the provision reducing the 50% test for purposes of qualifying for the low-income housing tax credit would have a positive impact on private activity bond issuers. It means that less volume cap would be required to issue the same number of bond-financed multifamily developments, freeing up that difference in volume cap for use on other multifamily developments, or if it is current year authority, allowing the cap to be used for other purposes.

Next Steps

While the current draft is positive for tax-exempt bonds, the process is far from complete. The legislation will be subject to amendment tomorrow during the Ways and Means Committee mark-up session. After passage, it will go to the Budget Committee, likely by week end. We anticipate it then going to the Rules Committee early next week, where it will again be subject to change. While leadership is targeting next week for passage out of Rules, it is possible that ongoing negotiations could delay its passage and delivery to the House Floor. Upon reaching the House Floor, the legislation will be subject to revision yet again. We feel well positioned; however further advocacy and engagement could be required.

We will continue to closely monitor the legislation as it moves through the House, and we will share concrete information as it becomes available.