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The House and Senate reached a compromise on their individual tax plans last week creating a merged tax bill. The bill passed the House on December 19 by a vote of 227-203, and passed the Senate early Wednesday morning by a vote of 51-48. The bill must go back to the House for another vote due to Senate rules, which prevent the bill from including any measures considered “extraneous” to budget matters. The bill will then go to the president’s desk for his signature. The effects of the bill on affordable housing are not as detrimental as may have been expected, however most reports indicate that the bulk of the benefits go to upper-income households with middle- and lower-income households ending up worse off.

Low-income housing tax credits (LIHTC), the New Markets Tax Credit and private activity bonds (including multifamily housing bonds) were retained in the new GOP tax plan. The 20% Historic Tax Credit made it into the final bill, but would have to be spread over five years as opposed to current policy where it can be taken up front in the first year of the project.

The Affordable Care Act’s individual mandate was repealed in the bill beginning in 2019 which, according to the Congressional Budget Office, would leave as many as 13 million fewer people without health insurance. There is also fear that with no mandate less people will buy insurance, which may result in increased premiums for everyone else.

The child-tax deduction was doubled to $2,000, but only the first $1,400 is tax deductible. In addition, families with an income of up to $400,000 annually may apply for this deduction. Some estimates suggest that low-income families could see a token benefit of as little as $75 or less.

While the House was not successful in repealing the estate tax they were successful in doubling the exemption limit bringing the percentage of Americans who could be affected by the tax to almost zero. The mortgage interest deduction, previously set at $1 million, was decreased to $750,000. While this is a step in the right direction, advocates who have been urging mortgage interest deduction reform for years were hoping the savings would be dedicated to producing more affordable housing instead of to offset corporate income tax reduction.

The provision in the House tax plan to overturn the Johnson Amendment, which bans religious institutions and all nonprofit entities organized as 501(c)3s from endorsing political candidates, was not included in the final bill. Advocates are concerned that a repeal could come up again soon. According to the Washington Post, “President Trump promised to ‘totally destroy’ the Johnson Amendment at the National Prayer Breakfast in February.”

Other important provisions of the plan include:

- Lowers many individual tax rates with a change in tax brackets
- Lowers the corporate tax rate from 35% to 21%, effective January 1, 2018
- Nearly doubles the standard deduction
- Eliminates personal exemptions
- Caps state and local tax deductions at $10,000
- No longer allows a deduction for the interest on home equity loans
- Preserves smaller tax breaks such as deductions for medical expenses and student loan interest
- Keeps the tax-free status of tuition waivers for graduate students

The Joint Committee on Taxation estimates that the plan will increase the budget deficit by $1.46 trillion over a decade. In order to keep the increase under the maximum $1.5 trillion it could add to the deficit under rules set by the Senate earlier this year, the individual provisions in the tax bill expire by 2025, but the corporate tax cuts are permanent. The GOP has said they want to cut anti-poverty programs such as Medicare, Medicaid and SNAP under “welfare reform” in 2018 to help pay for the tax cuts.

According to the Tax Policy Center, while most Americans would see a tax cut in 2018, the richest Americans would by far benefit most. With many of the individual cuts expiring in 2025, many lower- and middle-class Americans will have higher taxes a decade from now.