NACo NATIONAL ASSOCIATION of COUNTIES

Comparison of House & Senate Versions of the Tax Cuts and Jobs Act

***Bold** text indicates provisions in both versions. Green indicates provisions supported in the American County Platform. Red indicates provisions adverse to the American County Platform.*

	Current Law	House (H.R. 1)	Senate (H.R. 1 Amended)	NACo Policy
State and Local Tax (SALT) Deduction	• Any individual or family who itemizes their tax returns may deduct either state and local income taxes or state and local sales taxes paid • Any taxpayer who itemizes may also deduct property taxes paid	• Fully eliminates deductions for state and local income and sales taxes • Retains the deduction for property taxes, capped at $10,000 per tax filer • Generates $1.1 trillion in new revenue for the federal government over ten years	• Fully eliminates deductions for state and local income and sales taxes • Retains the deduction for property taxes, capped at $10,000 per tax filer • Generates $1.1 trillion in new revenue for the federal government over ten years	• The federal tax code should retain the deductibility of all state and local taxes • Eliminating or capping the SALT deduction would shift revenue from state and local governments to the federal government, constraining local policy options
Tax-Exempt Municipal Bonds	• Interest earned on municipal bonds is tax-exempt • The current municipal bond market is $3.1 trillion	• Retains the tax-exemption for municipal bond interest • One exception: municipal bonds used for professional sports stadiums would no longer be tax-exempt • Generates $200 million in new revenue for the federal government over ten years	• Tax-exempt municipal bonds maintained in full	• County governments oppose any action in the context of tax reform or deficit reduction that would directly or indirectly tax interest on state or local government municipal bonds • Tax-exempt bonds are a critical tool for counties facilitating budgeting and financing for long range investments in infrastructure development and other local public projects
Advance Refunding Bonds	• Governmental bonds – including municipal bonds – are permitted one advance refunding during the lifetime of the bond • 8,353 advance refunding bonds were issued from 2012 to 2016, saving taxpayers $12 billion over that time	• **Eliminates the tax-exempt status of advance refunding bonds;** interest on current refunding bonds would continue to be tax-exempt • The provision would be effective for advance refunding bonds issued after December 31, 2017 and generates $17.3 billion in new revenue for the federal government over ten years	• **Eliminates the tax-exempt status of advance refunding bonds**; interest on current refunding bonds would continue to be tax-exempt • The provision would be effective for advance refunding bonds issued after December 31, 2017 and generates $17.3 billion in new revenue for the federal government over ten years	• NACo opposes restrictions on counties' ability to refinance bonds at lower interest rates • Advance refunding bonds allow counties to take advantage of fluctuations in interest rates to realize considerable savings to the local government and taxpayers on municipal debt

Note: As of December 3, the House passed H.R. 1 on Thursday, November 16, and the Senate passed an amended version on December 2. The two chambers could conference their bills and take final votes as early as the week of December 4.

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Private Activity Bonds (PABs)	• Interest earned on PABs is tax-exempt • In 2016, over $72 billion in PABs were issued by nonprofit hospitals and universities, and over $12 billion were issued to support airports, housing and rural public cooperatives	• Interest on newly issued PABs is included as income and thus subject to tax • The provision would be effective for bonds issued after 2017 and would generate $38.9 billion in new revenue for the federal government over ten years • The provision would also effectively eliminate the 4 percent credit under the Low Income Housing Tax Credit (LIHTC), which is available to developers leveraging PABs	• Tax treatment of PABs is unchanged	• NACo supports the right of counties to issue governmental debt for essential public services by marketing bonds to investors with interest on such bonds remaining totally exempt from federal taxation • Counties rely on all finance tools to meet residents' needs, especially those that encourage collaboration with the private sector
Pension and Retirement Plans	• Certain state and local tax-exempt entities (such as public pension plans) are not subject to the "unrelated business income tax" (UBIT) rules • Governmental 457(b) plans are exempt from the 10% early withdrawal tax that applies to other qualified retirement plans when taxable distributions are made before a participant attains age 59½	• Certain investments of state and local governmental pension plans could be subject to the UBIT, eroding the immunity states and the federal government enjoy from taxation by the other • In addition to revenue loss from the tax, the UBIT provision could impose complex compliance costs and impact existing investments that cannot be restructured ahead of the application date	• Maintains the UBIT exemption established under current law	• NACo supports the continuation of deferred compensation (457) plans for county employees. County employees should be able to utilize these plans to adequately provide for their own retirements • NACo supports full portability of retirement benefits between all types of retirement plans and opposes any policy that would eliminate or limit the special features of state and local governmental retirement plans
Cadillac Tax	• Starting in 2020, "high value" health plans exceeding a certain value will be subject to a 40 percent excise tax levied under the Affordable Care Act (ACA)	• **The Cadillac Tax is not delayed past 2020 or repealed under the House version**	• **The Cadillac Tax is not delayed past 2020 or repealed under the Senate version**	• NACo opposes the taxation of health insurance benefits to county employees, and thus supports full repeal of the Cadillac Tax • Counties employ 3.6 million people, and healthcare coverage is a primary benefit counties use to attract and maintain a quality workforce

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New Markets Tax Credits (NMTC)	• Certain qualifying investors may claim credits for developments in qualified community entities when they meet thresholds defined by law. The NMTC is currently authorized through 2019	• Eliminates NMTC after 2017, two years prior to the program's current expiration date tax • Generates $1.7 billion in new revenue for the federal government over ten years	• NMTC remains unchanged	• NACo supports incentives that stimulate private investment in local affordable housing • Counties rely on private investment in single-family and multifamily affordable housing to help stimulate neighborhood revitalization
Renewable Energy Credits	• Wind energy tax credits are extended at current levels through 2020 • Solar energy tax credits are extended at current levels through 2022	• Wind energy tax credit reduced from 2.3 cents per kilowatt hour to 1.5 cents per kilowatt hour • Solar energy tax credit remains unchanged	• Wind and solar energy credits remain unchanged	• NACo supports treating industry tax incentives for a wide range of renewable energy technologies equally
Mortgage Interest Deduction	• Individuals may use the mortgage interest deduction up to $1 million for both their principal residence and one additional home	• Caps the mortgage interest deduction at $500,000 and limits its use to the filer's primary home	• Maintains the mortgage interest deduction limit at $1 million for primary and secondary homes	• NACo does not have specific policy on this issue
Charitable Giving Deduction	• Individuals and families who itemize their tax returns may deduct charitable contributions from their federally taxable income	• **Maintains deductions for charitable donations** • The Joint Committee on Taxation estimates the proposal would reduce itemized charitable donations by $94.8 billion	• **Maintains deductions for charitable donations** • The Joint Committee on Taxation estimates the proposal would reduce itemized charitable donations by $94.8 billion	• NACo does not have specific policy on this issue
Deductions for Expenses Attributable to Being an Employee	• Taxpayers may claim expenses relating to the trade or business of being an employee if they itemize deductions. • This includes certain allowances for teachers, state and local government staff, and other employees	• **The deduction for employee expenses is eliminated**	• **The deduction for employee expenses is eliminated**	• NACo does not have specific policy on this issue

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Medical Expense Deduction	• Medical expenses that exceed 10 percent of an individual's adjusted gross income (AGI) may be deducted	• Fully eliminates the medical expense deduction	• Maintains the medical expense deduction and lowers the threshold to 7.5 percent of an individual's AGI for 2017 and 2018; reverts to current law in 2019	• NACo does not have policy on the medical expense deduction, but removing it could place greater strain on Medicaid and other public programs that help counties provide long-term services and supports to residents
Affordable Care Act (ACA) Individual Mandate	• Individuals or families who are not covered for a specified portion of the taxable year may face a fee; the Supreme Court ruled this fee a tax	• Does not address the individual mandate	• The individual mandate is repealed. The Congressional Budget Office estimates this generates $318 billion over 10 years due to reduced subsidy payments from the federal government, and will result in 13 million fewer individuals receiving health insurance coverage	• NACo does not have policy on the ACA individual mandate. However, the resulting increase in the uninsured could shift costs to counties in the form of uncompensated health care
Individual Tax Rates	• There are currently seven tax brackets set at 10, 15, 25, 28, 33, 35 and 39.6 percent	• Consolidates the number of tax brackets to four, set at 12, 25, 35 and 39.6 percent	• Retains seven tax brackets, but lowers most rates. They are set at 10, 12, 22, 24, 32, 35 and 38.5 percent	• NACo does not have policy on specific tax rates
Corporate Tax Rates	• The current corporate tax rate is 35 percent. Pass-through corporations file on the individual side of the tax code and are subject to the individual tax brackets and rates	• Drops the corporate tax rate to 20 percent, beginning in tax year 2018	• Drops the corporate tax rate to 20 percent with a one year delay (begins in tax year 2019)	• NACo does not have policy on specific tax rates
Child Tax Credit (CTC)	• A parent can claim a $1,000 tax credit for any child under the age of 17	• Increases the CTC to $1,600 per child	• Increases the CTC to $2,000 per child	• NACo does not have specific policy on the child tax credit