

# BDA Bond Dealers of America

## 2018 Tax-Reform Update

Highlights of the Tax Cuts and Jobs Act of 2017 legislation, which includes sweeping individual and corporate tax cuts, include (Effective date December 31, 2017):

- Maintains the tax-exempt status of governmental municipal bonds and private-activity bonds;
- Repeals municipal advance refundings.
- Seven individual tax brackets: 10%, 12%, 22%, 28%, 32%, 35% and 37%;
- Lowers the corporate rate to 21%;
- State and Local Tax Deduction: Individuals are allowed to deduct up to \$10,000 in income, property and sales tax;
- Mortgage Interest Deduction: Cap lowered to \$750,000 for new home purchases;
- Includes the repeal of the individual mandate of the Affordable Care Act

## Legislative Actions Since Passage

On February 13, 2018, Representatives Randy Hutgren (R-IL), Dutch Ruppersberger (D-MD) and Luke Messer (R-IN), introduced bi-partisan legislation that would fully reinstate the advanced refunding of municipal bonds.

- Municipal advanced refundings were repealed in the *Tax Cuts and Jobs Act*.
- Passage of this bill would fully reinstate the ability of state and local governments to advance refund tax-exempt municipal bonds, including private activity bonds and qualified 501 c (3) bonds.

## Next Steps

2018 will be pivotal in this effort as Congress is expected to:

- Debate multiple “technical fix” packages in response to the passage of the Tax Cuts and Jobs Act. These are expected to include more than grammatical fixes, including the possibility of new legislative additions to the package;
- Pass an FAA reauthorization, which is considered a revenue package due to the extension of taxes, opening the door to possible additions;
- Deliberate the Trump Administrations infrastructure spending package in the FY 2019 budget that calls for an expansion of private-activity bonds, including reinstating the ability to advance refund PABs.