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Finance Committee Releases Options Paper on Economic and Community Development Incentives.

Incentives for economic and community development is the subject of the Senate Finance Committee's sixth tax reform options paper, which the committee released May 15.

Options listed for reforming the mortgage interest deduction include gradually repealing it, reducing the amount of the deduction for more expensive homes, denying the deduction for second homes, converting the deduction to a credit, and converting it to an above-the-line deduction.

The low-income housing tax credit is also discussed in the paper. Options for it include its repeal, reform, or expansion, or an equivalent reduction in tax on rental income.

The paper suggests that the state and local sales tax deduction could be repealed, permanently extended, limited in value, or capped based on adjusted gross income. Another option the paper lists is allowing non-itemizers to claim either the sales tax deduction or a deduction for state and local real property taxes.

The paper also looks at the tax treatment of bonds and community development incentives, such as the new markets tax credit, the historic preservation tax credit, and tax relief packages for declared national disaster areas. It also discusses options for providing state and local tax uniformity, listing several ideas that would serve as alternatives or exemptions to the Marketplace Fairness Act.

The full paper is available at:

<http://www.finance.senate.gov/issue/?id=9d5f328c-d707-44e1-af07-c31d8340c4f8>