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Confirmed, Again: Cost of Community Development Tax Incentives is Comparatively Small.

Late last month the Joint Committee on Taxation (JCT) released its Estimates of Federal Tax Expenditures for Fiscal Years 2017-2021. As in years past, the report highlights the comparatively low cost of the low-income housing tax credit (LIHTC), historic tax credit (HTC), renewable energy production tax credit (PTC), renewable energy investment tax credit (ITC), and new markets tax credit (NMTC) compared to other tax expenditures. New this year is the Opportunity Zones (OZ) incentive, created as a result of tax reform in late 2017.

The effects of tax reform can be seen when looking at the yearly forgone revenue for certain expenditures. Itemized deductions represent the largest government revenue costs and the three listed in the table below will see significant decreases in expenditures. The mortgage interest deduction will cost $216.6 billion between 2017 and 2021, down from $357 billion estimated for 2016 to 2020. One of the largest decreases over the five-year period can be found in the deduction of state and local taxes. The 2017 estimate is for $100.9 billion in expenditures. As a result of tax reform and the limitation placed on state and local tax deductions, the 2018 estimate is for just $36.6 billion. The annual tax expenditure is expected to increase to $173 billion in 2026, when the $10,000 limitation on deductions is scheduled to expire.

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