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Congress Passes One Big Beautiful Bill Act With Impacts on Housing: McGuireWoods

On July 3, 2025, the U.S. House of Representatives passed the Senate's version of the One Big, Beautiful Bill Act, which contains provisions impacting the low-income housing tax credit (LIHTC), opportunity zones (OZs) and homeownership incentives. The bill permanently increases the LIHTC's state allocation to 12% and lowers the bond-financing threshold to 25% beginning in 2026. These are provisions from the Affordable Housing Credit Improvement Act, which some analysts believe could add around one million affordable units to the severely limited supply of housing in the United States.

The reconciliation bill also establishes a permanent policy for OZs that creates a recurring 10-year designation period beginning in 2026. The updated bill passed by the House and Senate also repeals contiguous-tract rules for low-income areas and replaces them with standards for each designated OZ. Among other key changes to OZs, Congress eliminated the December 2026 sunset date for deferring capital gains, allowing investors to defer gains for up to five years or until the investment is sold.

For homeownership incentives, the reconciliation plan temporarily increases the state and local tax deduction to $40,000, with a phase-out for individuals earning over $500,000 per year. The One Big Beautiful Bill Act also permanently extends the deduction on mortgage interest that was established in the Tax Cuts and Jobs Act. This provision allows homeowners to deduct interest on the first $750,000 of mortgage debt and restores their ability to deduct mortgage interest premiums.

by Jeremy L. Green, Gregory A. Riegle, and Scott E. Adams

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