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Final Reconciliation Bill Permanently Expands LIHTC, NMTC and OZ Incentive; but Does Not Include HTC Provisions.

The House passed July 3 the final version of the fiscal year 2025 reconciliation bill, formerly known as the One Big Beautiful Bill Act, following Senate passage July 1. The bill includes some changes to the Senate Finance Committee (SFC) and initial House-passed versions. The bill now goes to the president, who is expected to sign it into law.

The following is an overview of the final reconciliation bill provisions affecting housing and community development tax incentives. A forthcoming blog post will describe the final bill's energy tax provisions.

Permanent LIHTC Expansions

The final reconciliation bill kept the LIHTC provisions of the SFC version reconciliation bill intact, namely:

1. ***Permanent 25% Test.*** The final reconciliation bill permanently lowers the private activity bond (PAB) financing threshold from 50% to 25% of land and building costs for properties placed in service after Dec. 31, 2025, as long as at least 5% of the aggregate land and building costs are financed with PABs issued after Dec. 31, 2025. It also should be noted that acquisition and rehabilitation property can separately qualify so that the rehabilitation portion placed in service in 2026 or later could qualify for the 25% test even for property acquired in 2025.
2. ***Permanent 12% Increase***. The final reconciliation bill permanently increases 9% allocations for the LIHTC by 12% starting in 2026. (The House-passed reconciliation bill would have increased the LIHTC by 12.5% for four years.)

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