

Latest Status of Selected MBA Tax Issues

199A: Ways & Means limits deduction to \$500k for couples. Senate Finance Chair has proposed expanding the businesses eligible while also phasing out the deduction above \$400k. Coupled with individual tax rate and other changes, impact on high-income and/or pass-through income could be significant.

Minimum Book Tax: House/Senate legislation introduced. Ways and Means does not include an MBT. Senate Finance Chair has not signaled his intentions.

1031 LKE: Ways & Means does not include changes to 1031. Senate Finance Chair has not signaled his intentions.

Gain on Sale of Home: Ways & Means did not propose changes to the taxation of capital gains on the sale of home. Senate Finance Chair has not signaled his intentions.

Housing Tax Credits: Senate Finance Chair has proposed expanding or creating a variety of housing-related tax credits, including LIHTC, MIHTC, NHITC, 1st time buyer tax credit, Renter Credit and New Market Tax Credits. Ways & Means included proposals on LIHTC, NHITC and New Market Tax Credit

Overall Impact: TBD

	Current	House Ways & Means	Senate Finance Chair Wyden Priorities	House W&M Revenue (\$M)
Affordable Housing Tax Credits				
<i>Low Income Housing Tax Credit</i>		Expansion and multiple changes	Expansion and multiple changes	-\$29,247
<i>Middle Income Housing Tax Credit</i>	None	No change	50% of PV of qualifying costs, or 5%/year	
<i>Neighborhood Home Investment Tax Credit</i>	None	Authorize NHIA	up to 35% of qualified development cost	-\$17,736
<i>Refurbishment Tax Credit</i>	None	No change	Study of Tax Incentives	
<i>First time Home Buyer Tax Credit</i>	None	No change	20% (max \$15k) down payment credit	
<i>Renter Credit</i>	None	No change	for owners/operators of affordable housing	
<i>New Market Tax Credit</i>		Increase \$ limitation; permanently extend		-\$2,316
Personal Income Tax Rates				
<i>Top Marginal Rate</i>	37%, reverts in 2025	39.6%	39.6%	\$170,498
Income Threshold	Indiv > \$500k; couples > \$600k	Indiv > \$400k; couples > \$450k		
<i>Surtax on High-incomes</i>	None	3 percentage points		\$127,335
Income Threshold	None	AGI > \$5 million		
<i>State & Local Tax Deduction</i>	TCJA limited to \$10k, reverts in 2025	No change		
<i>199A Pass-through Income Exemptions</i>	TCJA, sunsets in 2025	Limit deduction amount	Apply to QBI of all types of businesses	\$78,025
Exemption Caps	None	Indiv > \$400k; couples > \$500k	Phase out above \$400k; cut-off at \$500k	
<i>Net Investment Tax Income (NII)</i>	3.8%	No change	No change	\$252,163
Applies to	Non-wage income of passive activity	net income/gain of trade of business	All taxable income for >\$400k	
<i>Derivatives (MODA)</i>	None	No change	Mark-to-market	
Capital Gains				
<i>Capital Gains Rate</i>	20%	25%	39.6%	\$123,396
Income Threshold	None	Indiv > \$400k; couples > \$450k		
Effective Date		9/14/2021		
Home Sales Exclusion	Indiv \$250k; couples > \$500k	No change		
<i>Stepped-up Basis</i>		No change	Taxed at death at original basis	
Thresholds			\$5 million per person/\$10 million couple	
<i>1031 Exchange</i>		No change		
<i>Carried Interest</i>		Expands def'n of short-term gains	Taxed annually at ordinary rate	\$14,116
<i>Mark-to-market</i>	None	No change	Tax unrealized capital gains of billionaires	
Corporate Income Tax				
<i>Corporate Tax Rate</i>	21%	26.5%	"higher rate"	\$540,095
<i>Corporate Executive Compensation</i>		Higher rate	Limit deductions on pay > \$1 million	\$16,909
<i>Minimum Book Tax</i>	None	No change		
<i>Limitation on Excess Business Loss</i>	TCJA & CARES, sunsets 2026	Removes NOL treatment of disallowed losses		