

September 24, 2024

EXPIRING 2017 TAX CUTS AND JOBS ACT PROVISIONS AND 2025 TAX LEGISLATION WEBINAR

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A Comprehensive Overview of Post-Issuance Tax Law and SEC Secondary Market Disclosure for 501(c)(3) Organizations and State and Local Governments Who Utilize Tax-Exempt Financing

November 21-22, 2024

Austin Proper Hotel & Virtual

Registration now open!

<http://www.blxgroup.com/picworkshop2024>

Disclaimer

This webinar is designed to provide Orrick and BLX clients and contacts with information they can use to manage their businesses and access Orrick and BLX resources. The contents of this webinar are for informational purposes only. None of the lawyers and financial professionals who are speaking today are rendering legal or other professional advice or opinions on specific facts or matters.

We encourage you to reach out to your Orrick attorney or BLX representative to discuss the particular facts of your situation.








Discussion Outline

- I. Benefits of Tax-Exemption for Municipal Bonds
- II. Washington, The Current State of Play
- III. Expiring 2017 TCJA
- IV. 2025 – The Super Bowl of Federal Tax Policy
- V. How Issuers and Borrowers Can Tell Your Story
- VI. Questions

US Municipal Bond Market

\$4.1 TRILLION ANNUALLY

Municipal finance is used in many industries, including:

 <p>Education School districts, charter schools and higher education</p>	 <p>Transportation Roads, bridges, light rail, and transportation infrastructure</p>
 <p>Healthcare Hospitals and other healthcare entities</p>	 <p>Utilities Public power, water, and sewer</p>
 <p>Housing Housing finance agencies and military housing</p>	 <p>Economic Development Redevelopment and general infrastructure projects, including renewable energy</p>
 <p>General Government States, cities, towns, and municipal governments for various urban planning including hotels and stadium financing</p>	

Other industries that use municipal finance include:

 <p>Police and Municipal Volunteer Fire Departments</p>	 <p>Sanitation, Refuse, and Public Works</p>	 <p>Conduits and Industrial Development Authorities</p>	 <p>Port and Airport Authorities</p>	 <p>Indian Tribal Finance and Gaming</p>
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Key Provisions in 2017 Tax Law to Expire at end of 2025

- Trump and Republicans generally want to extend, and potentially expand, their tax cuts
- Harris has echoed Biden proposals to not raise taxes on those making less than \$400,000

Key Provisions in 2017 Tax Law to Expire

Individual Rates

- Marginal tax rates for individuals will revert to pre-2017 levels, including maximum rates of 39.6% from 37%
- Standard deduction amounts will be lower by almost half and adjusted for inflation

SALT Deduction

- The \$10,000 cap on state and local tax deductions will no longer apply

Business Provisions

- Bonus depreciation – which allows immediate deduction for capital investments (phases out after 2026)
- Pass-through businesses will no longer be able to deduct up to 20% of qualified income

Key Provisions in 2017 Tax Law to Expire

Child Tax Credit

- Maximum credit will drop to \$1,000 per child, from \$2,000
- Phaseout threshold will decrease to \$75,000 for individuals and \$110,000 for married couples

Estate and Gift Taxes

- Exemption from estate and gift taxes reverts to pre-2017 level of around \$5 million, adjusted for inflation
- The 2024 exemption is \$13.6 million

Paid Family and Medical Leave Credit

- Credit for employers who provide up to 12 weeks of paid family and medical leave per employee expires

Harris and Trump Woo Voters

US Individual Income Taxes

Kamala Harris (D)

- Expand child and earned income tax credit
- Assistance for first time home buyers
- Assistance for small businesses
- Exempt tip wages from federal income taxes
- Increase Corporate Tax Rate
- Increase taxes on high earners

Harris and Trump Woo Voters

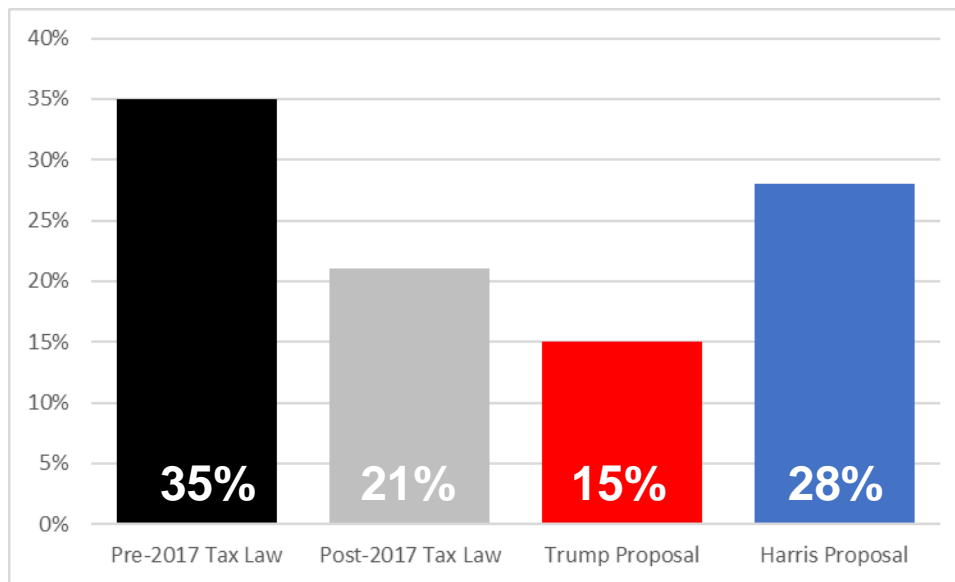
US Individual Income Taxes

Donald Trump (R)

- Make expiring individual income tax cuts from the Republicans' 2017 tax overhaul permanent
- Eliminate taxes on tip wages and Social Security payments
- Expand child tax credit
- Repeal cap on SALT deductions
- Decrease Corporate Tax Rates

Corporate Tax Rates

- 2017 tax law reduced corporate tax rate to 21%, from 35%, which does not expire at end of 2025





So How do we Prepare?

Prong 1: Storyboarding at builtbybonds.com



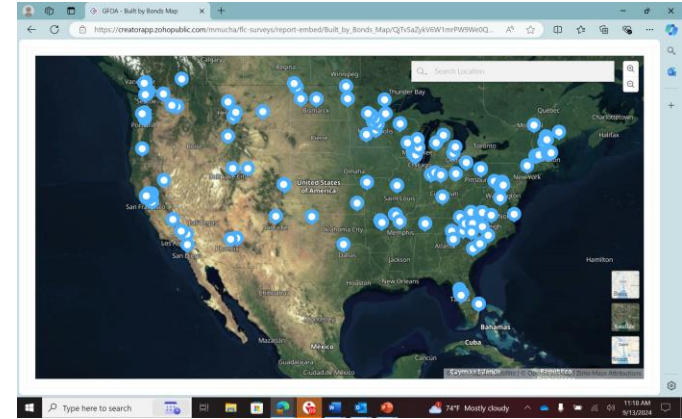
- Title of project
- Project type (public gas, multifamily housing, general obligation)
- Address/Location of project
- 2-4 sentences about:
 - the importance of the project
 - how the tax-exemption made this project a reality
 - the impact to the project if it were financed at taxable rates
- Address/Location of project



ENTER YOUR PROJECT HERE!

- See the projects submitted here: [GFOA - Built by Bonds Map \(zohopublic.com\)](https://zohopublic.com)
- Enter your projects here: [Built By Bonds Entry Form \(gfoa.org\)](https://gfoa.org)

U.S. House Washington District 1	Suzan DelBene	Democratic				
U.S. House Washington District 2	Rick Larsen	Democratic	Yes	Expanded Library	\$2,300,723	
U.S. House Washington District 3	Marie Gluesenkamp Pérez	Democratic	Yes	Public Service Center	\$22,400,000	
U.S. House Washington District 4	Dan Newhouse	Republican	Yes	High School	\$185,000,000	
U.S. House Washington District 5	Cathy McMorris Rodgers	Republican				
U.S. House Washington District 6	Derek Kilmer	Democratic	Yes	Justice Center Renovations	\$50,000,000	
U.S. House Washington District 7	Pramila Jayapal	Democratic				
U.S. House Washington District 8	Kim Schrier	Democratic	Yes	Water Main Replacement Public Works Maintenance Facility	\$3,775,000	
U.S. House Washington District 9	D. Adam Smith	Democratic	Yes		\$53,000,000	
U.S. House Washington District 10	Marilyn Strickland	Democratic	Yes	Waste Water Treatment Facility	\$300,000,000	

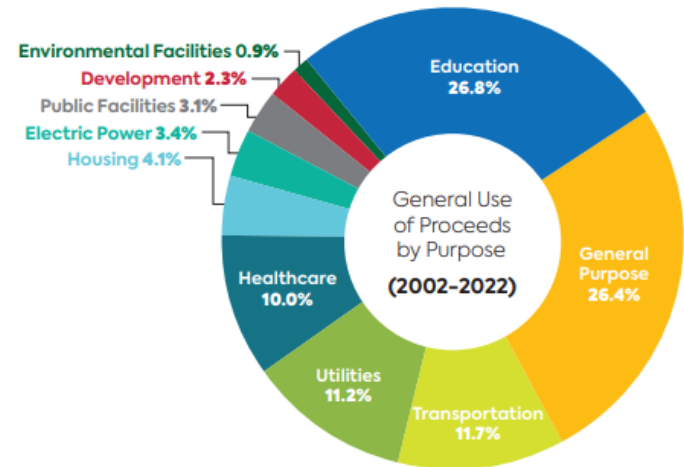


Prong 2: Market Data

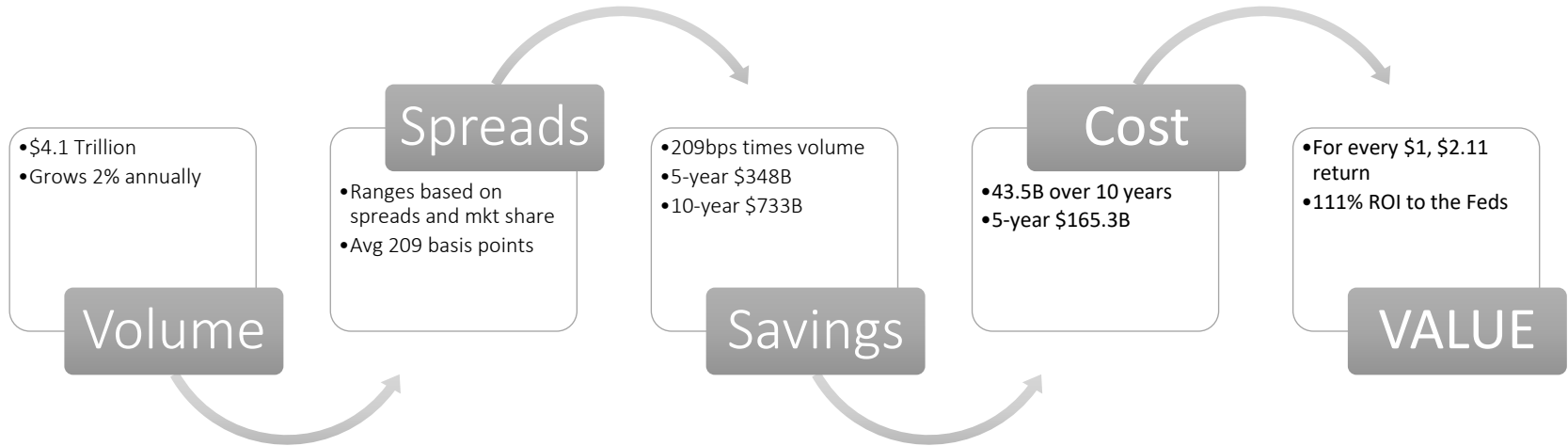


- GO issuance
- Real effects of the loss of Advance Refunding
- Private Activity Bonds volume and caps
- Effect on taxpayers in the event of a ceiling or clawback
- Effect on Corporations of higher tax thresholds

Exhibit 2. Projects funded by bonds by type and five year average



Prong 2: Market Data



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