



THE UNITED STATES CONFERENCE OF MAYORS

Summary of Key Provisions Impacting Cities in the H.R. 1 OBBBA The One Big Beautiful Bill

PROTECTING TAX-EXEMPT BONDS, INCLUDING PRIVATE ACTIVITY BONDS (PABs)

- There were no restrictions made on tax-exempt bonds, including PABs (major USCM priority in the OBBB).

PROTECTING THE NEW MARKETS TAX CREDIT

- Permanently extends the New Markets Tax Credit (NMTC) with \$5 billion in annual allocations, generating a total of \$1.95 billion in tax credits over seven years. [Source](#)

EXPANSION OF THE LOW-INCOME HOUSING TAX CREDIT

- **Permanent 25% Bond Threshold Reduction:** Permanently lowers the share of private activity bonds (PABs) needed for 4% LIHTCs from 50% to 25% of a project's land and building costs. Starting in 2026, projects can qualify as long as at least 5% of costs are financed with PABs issued after December 31, 2025. This makes it easier for developers to access 4% LIHTCs, which are federal tax credits covering roughly one-third of eligible project costs every year, claimed over ten-year periods.
- **Permanent 12% Increase of LIHTC Allocations:** Permanently increases the amount of 9% LIHTCs that states can award by 12% each year. This boost means more projects can receive these highly competitive credits, helping expand affordable housing development. 9% LIHTCs are federal tax credits covering roughly two-thirds of eligible project costs every year, claimed over ten years. [Source](#)

SECOND ROUND OF OPPORTUNITY ZONES (OZs)

- **OZ Program Made Permanent:** Permanently extends the Opportunity Zone Program, starting July 1, 2026, which was set to expire for new investments after 2026. Under the new law, states can nominate new OZs every 10 years, with the first new designations effective January 1, 2027. This ensures the continuation of tax incentives for investments in economically distressed communities through Qualified Opportunity Funds (QOFs).
- **Stricter Criteria for OZ Designation:** Census tracts eligible for OZ designation are narrowed from 80% to 70% of the area median income (AMI). In addition, to qualify, tracts must now have a poverty rate of at least 20% and a median family income (MFI) no greater than 125% of

the surrounding area, even if they otherwise meet the poverty or income-based criteria. The changes also eliminate the use of contiguous tracts (higher-income areas that previously qualified due to proximity to eligible tracts) and remove the special rule for Puerto Rico, which had allowed nearly all PR tracts to be designated as OZs due to its unique hardship.

- **Enhanced Benefits for Rural Areas:** Creates Qualified Rural Opportunity Zones (QROFs), which are Qualified Opportunity Funds that invest at least 90% of their assets in rural OZs. Investors in QROFs get a 30% basis step up (versus 10% for non-rural OZs) after 5 years and face only a 50% improvement requirement for non-original use property (versus 100% for non-rural OZs). These changes aim to steer more investment into underserved rural areas.
- **Rolling 5-Year Deferral Period for New Investments:** Capital gains invested into Qualified Opportunity Funds (QOFs) after December 31, 2026, will no longer follow a fixed deferral deadline. Instead, the deferral period becomes a rolling five-year window, allowing investors to defer taxes for five years from the date of each new investment.
- **Elimination of 7-Year Bonus, 10-Year Exclusion Remains:** The extra 5% basis increase for holding an investment for 7 years is removed. The 10% increase after 5 years and the full capital gains exclusion after 10 years are still available. A new rule also lets investors lock in fair market value at year 30 if they hold the investment longer, helping protect long-term tax benefits.
- **New Reporting & Transparency Rules:** All QOFs, QROFs, and QOZBs are now subject to stronger reporting requirements. They must provide detailed data on employment, housing units, and business activity and are also required to send year-end statements to investors. Failure to comply can result in penalties of \$500 per day, capped between \$10,000 and \$50,000, with higher fines for intentional violations. In addition, the Treasury is now required to publish annual public reports on Opportunity Zone activity. [Source](#)

STATE AND LOCAL TAX DEDUCTION (SALT)

- **SALT Deduction Cap Increase:** The SALT deduction cap will rise to \$40,000 in 2025. Between 2026 through 2029, the cap will increase by 1% each year before returning to \$10,000 in 2030. The higher limit applies to all filing statuses except for those married filing separately, who can only claim half the amount (i.e. \$20,000 in 2025, or 50% of \$40,000).
- **Phasedown for Higher-Income Taxpayers:** For higher-income taxpayers, the SALT deduction goes down by 30% of the amount their modified adjusted growth income (MAGI) is over \$500,000. (For example, if you make \$550,000, that's \$50,000 over the limit. Your deduction would be reduced by \$15,000, giving you a \$25,000 deduction instead of the full \$40,000.) This income threshold, like the deduction limit itself, will increase by 1% each year through 2029.
- **Deduction Minimum for Higher-Income Taxpayers:** The SALT deduction gradually decreases to a minimum of \$10,000 once a taxpayer's income reaches \$600,000 in 2025 (the upper limit of the phasedown range). For those married filing separately, the income limits for the phaseout are half as much, or \$300,000. [Source](#)

EXPANSION OF THE CHILD TAX CREDIT

- **Permanent Child Tax Credit Increase:** Permanently increases the credit to \$2,200 per qualified child in 2025. In 2026, the CTC will increase yearly to keep up with inflation.
- **Permanent Phaseout Thresholds:** Sets the CTC income phaseout limits at \$200,000 for single filers and \$400,000 for married couples filing jointly.
- **Additional Child Tax Credit (ACTC):** Permanently sets the refundable ACTC at \$1,400 and will adjust for inflation each year. (This means that if your CTC is greater than your tax liability, you'll receive some of the difference back as a tax refund.)
- **Social Security Requirement:** A social security number will be required for the taxpayer (or at least one spouse for joint filers) who is claiming the CTC. [Source](#)

MEDICAID

- **Stricter Medicaid Application & Renewal Process:** Starting July 4, 2025, a new federal law will block the Biden administration's efforts to simplify the Medicaid and CHIP enrollment and renewal processes. This change will particularly impact Medicaid, CHIP, and Medicare Savings Program enrollees, including older adults and people with disabilities. As a result, individuals will have more paperwork and administrative barriers, increasing the risk of losing coverage simply due to procedural complications or missed communications.
- **Planned Parenthood Ban from Medicaid Funding:** Effective July 4, 2025 (though currently blocked by a court order), Medicaid will no longer be allowed to reimburse providers like Planned Parenthood if they offer abortion services, except in cases involving rape, incest, or threats to the mother's life. This policy affects not only abortion-related care but also routine health services such as cancer screenings and contraception. Medicaid patients who rely on these clinics for broader healthcare services may lose access if clinics are forced to stop accepting Medicaid. Legal challenges are underway.
- **Low-Income Immigrants Lose Marketplace Subsidies:** Beginning January 1, 2026, lawfully present immigrants who have been in the U.S. for fewer than five years and who earn below the federal poverty level will lose eligibility for ACA marketplace subsidies. This change is expected to impact approximately 300,000 individuals. Without these subsidies, many may be unable to afford coverage unless their income increases to meet or exceed the poverty threshold.
- **Full Repayment of Extra ACA Subsidies Required:** Starting with tax filings for the 2026 plan year, individuals receiving ACA premium tax credits will be required to repay the full amount of any excess subsidies if their actual income ends up higher than what they originally projected. Previously, there were caps on how much had to be repaid, depending on income level. With those caps removed, enrollees with fluctuating income could face large repayment obligations to the IRS.
- **More Plans Eligible for HSAs:** As of January 2026, all Bronze and Catastrophic ACA marketplace plans will be considered HSA-eligible high-deductible health plans (HDHPs). This

change will allow more individuals to contribute to Health Savings Accounts, which offer tax advantages for covering medical costs. The change also allows those using direct primary care (DPC) services to maintain HSA eligibility and permits DPC fees to be paid using HSA funds. Millions of marketplace enrollees may benefit from new options to save on taxes and healthcare expenses. [Source](#)

SUPPLEMENTAL ASSISTANCE FOR NEEDY FAMILIES (SNAP)

- **Expansion of Work Requirements (no effective date yet—awaiting USDA guidance):** The law expands SNAP’s work requirements to include adults with children 14 and older, older adults 55-64, veterans, people experiencing homelessness, and young people who recently aged out of foster care. They are now subject to a three-month time limit unless they meet strict work requirements (these groups had been exempted under the 2023 Fiscal Responsibility Act). Also, the bill restricts waivers of the work requirement to areas with an unemployment rate over 10%; eliminates SNAP eligibility for people granted refugees, asylum, or certain other immigration statuses; and ends the standard utility allowances simplification for households receiving energy assistance, except households with elderly or disabled members.
- **Administrative Costs:** Beginning in FY 2027, the federal share of SNAP administrative costs will drop from 50% to 25%, shifting 75% to the states. This change will strain state budgets, reduce program capacity, and likely cause service delays. Further, in 10 states (California, Colorado, Minnesota, New Jersey, New York, North Carolina, North Dakota, Ohio, Virginia, and Wisconsin), county governments administer SNAP, covering 34.3 percent of all participants (14.6 million individuals). [Source](#)
- **SNAP Cost-Sharing:** Beginning in FY 2028, states must contribute to SNAP food benefits for the first time, ending the federal government’s full funding of benefits. Contributions will be tied to payment error rates: 0 percent for rates under 6 percent, 5 percent for 6–8 percent, 10 percent for 8–10 percent, and 15 percent for rates above 10 percent. Most states risk new costs, as 44 would be affected under the FY 2024 data. States with extremely high error rates may delay cost-sharing until FY 2029 or 2030 but only once. This structure increases financial pressure, especially as administrative costs rise and federal support declines. It also creates incentives to tolerate higher error rates to postpone state obligations. [Source](#)
- **Thrifty Food Plan (TFP) Limits:** Effective upon bill passage, the new law limits USDA’s ability to update the Thrifty Food Plan (TFP), which determines SNAP benefit levels. While the 2021 update aligned the TFP with modern nutrition and raised benefits by \$1.40 per person daily, future updates may now occur only once every five years and must be cost-neutral. This restriction prevents benefit increases, even during rising food prices, undermining SNAP’s ability to keep pace with inflation. Over time, this will erode purchasing power and increase

food insecurity for millions of households, reversing progress made under the 2018 Farm Bill's directive for science-based, up-to-date benefit calculations. [Source](#)

- **SNAP Education Fund:** Effective October 1, 2025, it eliminates funding for the nutrition education and obesity prevention grant program SNAP-Ed.

TRUMP ACCOUNTS

- **Establishes New Trump Accounts:** Creates new tax-advantaged savings accounts for children under age 18 called “Trump Accounts.” Families can contribute up to \$5,000 per year (adjusted for inflation), and employers can add up to \$2,500 per employee tax-free. Like IRAs, investments in the account grow tax-deferred, meaning taxes aren't owed until the money is withdrawn.
- **Sets Requirements for Withdrawal:** Withdrawals are generally not allowed until the child turns 18, at which point funds can be used for college, job training, starting a business or farm, or buying a first home. Full access is granted at age 31, and withdrawals are taxed at the capital gains rate. As part of a federal pilot program, the government will make a one-time \$1,000 contribution to accounts for U.S. children born between January 1, 2025, and December 31, 2028, as long as the filing parent has a Social Security number. Parents can open accounts through any qualifying institution; otherwise, one will be created automatically when they file their taxes. [Source](#)

DIRECT PAY AND REPEAL/PHASE-OUT OF ENERGY CREDITS

- **Shifts Away from Zero-Emission Technology:** Pulls back support for zero-emission technologies like rooftop solar, wind power, and electric vehicles and shifts focus toward fuels and industrial strategies like biofuels and carbon capture to reduce emissions.
- **Direct Pay Still Available – But Act Fast:** Although local governments can still use the direct (elective pay) option for clean energy projects, many of the credits are ending or getting harder to access. Here are some deadlines cities must meet to qualify:
 - Commercial EVs must be purchased by September 30, 2025;
 - Solar and wind projects must start construction by December 31, 2025, allowing a 4-year window to complete; and
 - EV charging stations must be placed in service by June 30, 2026.
 - Note: Projects completed in 2024 or early 2025 still qualify. Cities and towns should act quickly and consult a tax advisor to meet supply chain and paperwork requirements.
- **Phase-Out of IRA Tax Credits**
 - Previously-Owned Clean Vehicle Credit 25E(g) ends September 30, 2025.
 - Clean Vehicle Credit 30D(h) ends September 30, 2025.
 - Qualified Commercial Clean Vehicle Credit 45W(g) ends September 30, 2025.
 - Alternative Fuel Vehicle Refueling Property Credit 30C(i) ends June 30, 2026.

- Energy Efficient Home Improvement Credit 25C(h) ends December 31, 2025.
- Residential Clean Energy Credit 25D(h) ends December 31, 2025.
- Energy Efficient Commercial Buildings Deduction 179D ends June 30, 2026.
- New Energy Efficient Home Credit 45L(h) ends June 30, 2026.
- Terminates Cost Recovery for Energy Property 168(e)(3)(B)(vi) for property constructed after December 31, 2024.
- Modifies Zero-Emission Nuclear Power Production Credit 45U(c) restrictions related to Foreign Entities of Concern (FEOC):
 - Cannot claim the credit for any taxable year beginning after the date of enactment (July 4, 2025) if the taxpayer is a specified foreign entity (SFE).
 - Cannot claim the credit for any taxable year beginning two years after enactment if the taxpayer is a foreign influenced entity (FIE).
- Clean Hydrogen Production Credit 45V(c)(3)(C) ends January 1, 2028.
- New Limits on Clean Electricity Production Credit 45Y(d):
 - Ends credit for wind and solar projects placed in service after December 31, 2025
 - Disallows credits if project involves
 - FEOC or foreign-controlled companies;
 - Licensing and other agreements with such entities;
 - Persons related to the taxpayer or publicly traded firms under foreign control; or
 - Use of critical minerals sourced from FEOC.
 - Construction must follow IRA Notices 2013-29 and 2018-59.
 - Credit denied for wind and solar leasing agreements.
- New Limits on Clean Electricity Investment Credit 48(e):
 - Ends credit for wind and solar facilities (excluding energy storage) placed in service after December 31, 2027.
 - Disallows credit if the project involves FEOCs or wind and solar leasing agreements.
 - Properties must meet domestic content rules 48(a)(12).
 - Certain energy properties no longer qualify for credit.
- Phase-Out and Limits on Advanced Manufacturing Production Credit 45X(d):
 - Credit for critical minerals (as integrated components) begins phasing out after December 31, 2030, with a declining percentage of credit each year after 2030.
 - Credit for wind energy components ends after December 31, 2027.
 - Definition of “battery module” is revised.
- New Limits on Advanced Energy Project Credit Program 48C(e)(3)(C):
 - No increases in credit amounts allowed after the date of enactment.
- New Limits on Carbon Oxide Sequestration Credit 45(Q)(f):
 - No credit allowed in any taxable year after enactment if the taxpayer is a FIE.