

TAX REFORM PROPOSAL WILL HURT CALIFORNIANS

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President Donald Trump and what is being referred to as the “Big Six” group of Republicans officially announced their new tax plan.

However, even after 10 months of waiting, the plan is still sparse on the details. [As expected](#), the plan outlines its plan for new tax brackets, and a lower corporate tax rate.

The team of six includes **National Economic Council** director Gary Cohn, **U.S. Department of the Treasury** Secretary Steven Mnuchin, Senate majority leader Mitch McConnell, Senate Finance Committee chairman Orrin Hatch, House speaker Paul Ryan and House Ways and Means Committee chairman Kevin Brady.

“Too many in our country are shut out of the dynamism of the US economy, which has led to the justifiable feeling that the system is rigged against hardworking Americans,” according to the nine-page report. “With significant and meaningful tax reform and relief, we will create a fairer system that levels the playing field and extends economic opportunities to American workers, small businesses, and middle-income families.”

The new tax plan changes individual tax rates to 12%, 25% and 35% with the possibility for another higher bracket. It also lays out a 20% corporate tax, down from the current level of 35%. And while the plan mentions eliminating some business deductions and industry-specific incentives, however it did not include many details.

Previously, Mnuchin reiterated that the mortgage interest tax deduction [will stay put](#) during the Trump administration. But just because the administration [isn't getting rid of](#) the mortgage deduction, it doesn't mean it [can't be changed](#).

“This unified framework is the foundation Congress will use to craft legislation around middle-income tax cuts, a simpler and fairer tax code, and the most competitive business tax rates, so American companies of all sizes can create jobs, give their workers a pay raise, and grow the economy,” Mnuchin said.

“President Trump will continue his leadership in support of achieving the goals of this framework by traveling around the country speaking directly to the American people,” he said. “We will work with Congress to seize this opportunity to level the playing field for American workers and bring tax relief to middle income families and small businesses who need it most.”

Some leaders in the housing industry are reserving their judgement until more information is decided on for Trump's tax plan.

“We are pleased to see that the blueprint recognizes the important role that housing plays for families and the economy as a whole,” said Dave Stevens, **Mortgage Bankers**

Association president and CEO. “We eagerly await more details and will have more to say then.”

And other experts agreed, saying the missing pieces make it hard to estimate the overall cost.

“The unified tax proposals released by Republicans today offer more detail than before, but there are still a number of missing pieces that make it hard to estimate the overall cost of the plan accurately,” **Capital Economics** Chief Economist Paul Ashworth said.

In addition to increasing the standard deduction, the tax plan also eliminates many itemized deductions. In fact, the only ones it leaves are deductions for charitable gifts and home mortgage interest.

Other experts in the industry commended the president and republicans for their efforts, saying it was a step in the right direction.

“By lowering the pass-through rate, the plan will reduce the tax bill of thousands of small businesses and help to spur job and economic growth,” said Granger MacDonald, **National Association of Home Builders** chairman.

“More importantly, the blueprint maintains the Low Income Housing Tax Credit, the most indispensable tool to help produce affordable rental housing,” MacDonald said. “The plan also retains a business interest deduction for small businesses, which would ensure that our future tax code is truly pro-growth.”

However, not everyone agrees with this positive outlook. One expert explained why it could hurt homeowners and the homeownership rate across the U.S.

“This proposal recommends a backdoor elimination of the mortgage interest deduction for all but the top 5% who would still itemize their deductions,” said William Brown, **National Association of Realtors** president. “When combined with the elimination of the state and local tax deduction, these efforts represent a tax increase on millions of middle-class homeowners.”

“That tax increase flies in the face of a reform effort ostensibly aimed at lowering the tax burden for Americans,” Brown said. “At the same time, the lost incentive to purchase a home could cause home values to fall.”

Other Realtor organizations agree, saying Californians could end up paying up to \$3,000 more per year in taxes.

“The tax reform proposed by the Republican leadership will eliminate the incentive for people to buy homes, shrink the middle class, and raise taxes on hundreds of thousands of California homeowners,” said Geoff McIntosh, **California Association of Realtors** president. “The doubling of the standard deduction, coupled with the elimination of state and local tax deductions, such as property taxes, will adversely impact California and its housing market.”