



# 2017 Tax Reform A Breakdown of the Key Provisions

Individual Tax Provisions		
Conference Committee Bill		
It would maintain seven tax brackets, but lower the rates for most brackets.		
Rate	Single	Married, filing jointly
10%	Up to \$9,525	Up to \$19,050
12%	\$9,525–\$38.7K	\$19,050–\$77.4K
22%	\$38.7K–\$82.5K	\$77.4K–\$165K
24%	\$82.5K–\$157.5K	\$165k–\$315k
32%	\$157.5K–\$200K	\$315k–400k
35%	\$200K–\$300K	\$400k–\$600k
37%	More than \$300K	More than \$600k
Individuals	Conference Committee Bill	
Personal Exemptions	Repealed	
Standard Deduction	Increased - almost double from existing law	
	Single - \$12,000	
	Head of Household - \$18,000	
	Married Filing Joint - \$24,000	
Itemized Deductions		
State and local taxes	Up to \$10,000 deduction for combination of state income or sales tax and property tax	
Home Mortgage Interest Deduction	Reduced threshold to \$750,000 on loans after 12/15/17. No HELOC interest deduction	
Medical Expenses	Enhanced, with a lower threshold in 2018 of 7.5% of AGI floor instead of the current 10%	
Charitable contributions	Preserved, maximum deduction increased to 60% of AGI	
Miscellaneous Itemized Deductions	Eliminated	
Casualty losses	Curtailed, but not entirely eliminated	
Above-the-Line Deductions		
Student Loan Interest	Preserved	
Educator Expenses	Preserved	
Moving Expenses	Eliminated	
Alimony deductions	Eliminated for divorce agreements entered into after 2018	
Obamacare		
	Repeals individual mandate and related penalty	
Tax Credits		
Adoption Credit	Preserved	
Child Tax Credit	Credit amount \$2,000; Phase out begins at \$400k AGI for married filing joint. \$1,400 of the credit is refundable	
Dependent Care Credit	Preserved	
Sale of principal residence	No change to existing rules	
Capital gains and qualified dividend rates	Preserved and aligned with new brackets.	
Business loss limitation	Losses over \$500,000 could not offset compensation or portfolio income, excess is carried forward	
Estate and Gift Tax	Lifetime exemption doubled (Single - \$11 million; MFJ - \$22 Million) with no repeal. Gift tax annual exclusion of \$15,000. Stepped-up basis upon death	
AMT	Preserved, but increases the exemption amount and phase-out thresholds	
Retirement accounts	No major changes	
529 Accounts	Expanded to allow for use of funds for private K-12 school, including homeschool, up to \$10,000 annually	
Sunset Provisions	Individual tax changes would sunset after 2025, unless extended by act of future Congress	



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Business Tax Provisions	
Businesses	Conference Committee Bill
Corporate Tax Rate	21% Starting in 2018
Pass Through Business Income Tax Rates	Deduction equal to 20% of qualified business income (including sole proprietorships); deduction limited for professional services. Anti-abuse rules implemented
Self-employment tax	No changes
Section 179 expense	limited to \$1 million, phase-out beginning at \$2.5 million, expands eligible property to certain types of real property for operating businesses
Real property Depreciation	Shortens depreciation to 25 years
Immediate expensing of assets with life < 20 years	For the next five years, phase out after that over another 5 years, would apply to used property
Deduction for Net interest expense	Limited to 30% of "adjusted taxable income" - earnings before depreciation, amortization, interest and taxes (EBITDA); indefinite carryover
Net Operating Losses	No carryback; carryforward indefinitely limited to 80% of taxable income
Entertainment Deductions/Some Employee Fringe Benefits	Eliminated
New accounting method revenue thresholds: cash, percentage-of-completion, UNICAP	\$25 million revenue threshold
Nonqualified Deferred Compensation	Changes, however, private company employees may still be able to defer income from stock grants
Like-kind exchanges for non-real estate assets	Eliminated
Domestic production activity deduction - Section 199	Repealed in 2018
Cash, contract and inventory accounting methods	New threshold of \$15 million in revenue would apply
Deferred income	Advance payment Income deferred by accrual basis taxpayers under Revenue Procedure 2004-34 would have to match book treatment
Tax Credits	
R&D Credit	Preserved, but R&D expenditures would need to be capitalized and amortized over 5 years
Orphan Drug	Modified, but retained
Rehabilitation credit	Modified, but retained
Corporate AMT	Repealed in 2018
Carried Interests	Capital gain treatment for investments held at least three years



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<b>Exempt Organization Provisions</b>	
<b>Unrelated business income tax</b>	Would assess tax separately on each trade or business of a nonprofit organization
<b>Excise Tax on excess tax-exempt organization executive compensation in excess of \$1 million</b>	Would apply to CEO, CFO and three other highest paid excluding medical professionals
<b>Certain fringe benefits provided by tax exempt entities considered unrelated business income</b>	Value of providing employees with transportation fringe benefits and on-site gyms taxed as UBIT
<b>Excise tax on private colleges and universities</b>	1.4% excise tax on net investment income on institutions with at least 500 students (at least 50% of the tuition paying students are located in the U.S.) and applicable assets exceeding \$500,000 per full-time student
<b>Charitable deduction for college athletic event seating rights</b>	Repealed
<b>Exclusion from gross income for interest on a bond issued to advance refund another bond</b>	Repealed
<b>International Tax Provisions</b>	
<b>Conference Committee Bill</b>	
<b>Territorial System</b>	Eliminates the current "worldwide" system; change to territorial
	Adopts anti-abuse rules and base erosion rules - minimum tax of the excess of 10% of modified taxable income over an amount equal to regular tax liability
<b>Repatriation</b>	Deemed repatriation on foreign earnings - 15.5% liquid assets; 8% illiquid assets