



2017 Tax Reform A Breakdown of the Key Provisions

Individual Tax Provisions		
Tax Rates – Senate 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
22.50%	\$38.7K–\$60K	\$77.4K–\$120K
25%	\$60K–\$170K	\$120K–\$290K
32.50%	\$170K–\$200K	\$290K–\$390K
35%	\$200K–\$500K	\$390K–\$1M
38.50%	More than \$500K	More than \$1M
Tax Rates – House Bill		
Would consolidate the current seven tax brackets to four.		
Rate	Single	Married, filing jointly
12%	Up to \$45K	Up to \$90K
25%	\$45K–\$200K	\$90K–\$260K
35%	\$200K–\$500K	\$260K–\$1M
39.60%	More than \$500K	More than \$1M
Individuals	Senate Bill	House Bill
Personal Exemptions	Repealed	Repealed
Standard Deduction	Increased - almost double from existing law	Increased - almost doubled from existing law
	Single - \$12,000	Single - \$12,200
	Head of Household - \$18,000	Head of Household - \$18,300
	Married Filing Joint - \$24,000	Married Filing Joint - \$24,400
Itemized Deductions		
State and local taxes	Up to \$10,000 deduction for property tax	Up to \$10,000 deduction for property tax
Home Mortgage Interest Deduction	No change from current law, keeps in place deduction for homes up to \$1M. No HELOC.	Reduced threshold to \$500,000. No HELOC.
Medical Expenses	Enhanced, with a lower threshold in 2018 and 2019 of 7.5% of AGI floor instead of the current 10%	Eliminated
Charitable contributions	Preserved, higher AGI threshold in 2018	Preserved, higher AGI threshold in 2018
Tax prep fees, unreimbursed employee expenses	Eliminated	Eliminated
Casualty losses	Curtailed, but not entirely eliminated	Eliminated
Above-the-Line Deductions		
Student Loan Interest	Preserved	Eliminated
Educator Expenses	Doubled to \$500	Eliminated
Moving Expenses	Eliminated	Eliminated
Alimony Deductions	Preserved	Eliminated for divorce agreements entered into after 2017
Obamacare		
	Repeals individual mandate	Not addressed
Tax Credits		
Adoption Credit	Preserved	Preserved
Child Tax Credit	Credit amount \$2,000; Phase out limit at \$1 million AGI for married filing joint	Credit amount \$1,600; Phase out limit at \$230,000 AGI for married filing joint
Dependent Care Credit	Preserved	Preserved
Sale of principal residence	Home must be used as your principal residence 5 out of the last 8 years to utilize the \$500K exclusion.	Home must be used as your principal residence 5 out of the last 8 years. Income caps apply to this exclusion.
Capital gains and qualified dividend rates	Preserved and aligned with new brackets. However, stock and mutual funds sale cost basis would be determined under FIFO, not on an average basis.	Preserved and aligned with new brackets
Business loss limitation	Losses over \$500,000 could not offset compensation or portfolio income	No similar provision
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	Lifetime exemption doubled (Single - \$11 million; MFJ - \$22 Million) with ultimate estate and GST tax repeal in 2024. Gift tax remains at 35% rate with \$15,000 annual exclusion. Stepped-up basis upon death
AMT	Preserved, but increases the exemption amount	Repealed
Retirement accounts	No major changes	No major changes



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Business Tax Provisions		
Businesses	Senate Bill	House Bill
Corporate Tax Rate	20% Starting in 2019	20% starting in 2018
Pass Through Business Income Tax Rates	Deduction equal to 23% allowed against taxable income, resulting in top rate on business income of about 30%. Deduction not available for professional services, except for smaller businesses. W-2 limitation in place to forestall gaming the deduction. Trusts cannot take this deduction.	Passive investors - 25% rate. Active participants - 30% of income deemed to be from capital of business and taxed at 25%. Remainder taxed at individual rates. Provisions do not apply to professional services.
Self-employment tax	No changes	No changes
Section 179 expense	Limited to \$1 million, phase-out beginning at \$2.5 million	Limited to \$5 million, phase-out beginning at \$20 million
Real property Depreciation	Shortens depreciation to 25 years	Retains current depreciation schedules
Immediate expensing of assets with life < 20 years	For the next five years, phase out after that over another 5 years	For the next five years
Deduction for Net interest expense	Limited to 30% of "adjusted taxable income" - earnings before interest and taxes (EBIT); indefinite carryover.	Limited to 30% of EBITDA; 5-year carryover; applies to businesses with gross revenue exceeding \$25 million
Net Operating Losses	No carryback; carryforward indefinitely limited to 80% of taxable income	No carryback; carryforward indefinitely limited to 90% of taxable income
Entertainment Deductions/Some Employee Fringe Benefits	Eliminated	Eliminated
New accounting method revenue thresholds: cash, percentage-of-completion, UNICAP	\$15 million revenue threshold	\$25 million revenue threshold
Nonqualified Deferred Compensation	Changes, however, private company employees may still be able to defer income from stock grants	Changes, however, private company employees may still be able to defer income from stock grants; RSU would be immediately taxable
Like-kind exchanges for non-real estate assets	Eliminated	Eliminated
Domestic production activity deduction - Section 199	Repealed in 2019	Repealed in 2018
Cash, contract and inventory accounting methods	New threshold of \$15M in revenue would apply	New threshold of \$25M 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	No changes
Tax Credits		
R&D Credit	Preserved, but R&D expenditures would need to be capitalized and amortized over 5 years	Preserved
Orphan Drug	Modified, but retained	Repealed
Rehabilitation credit	Modified, but retained	Repealed
Corporate AMT	Preserved	Repealed
Carried Interests	Capital gain treatment for investments held at least three years	Capital gain treatment for investments held at least three years



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International Tax Provisions		
	Senate Bill	House Bill
Territorial System	Eliminates the current "worldwide" system; change to territorial	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	Adopts base erosion rules - inclusion of 50% of excess returns by CFCs in U.S. shareholders' income.
		Excise tax on payments made to foreign firms unless claimed as effectively connected income
Repatriation	Deemed repatriation on foreign earnings - 14.5% liquid assets; 7.5% illiquid assets	Deemed repatriation on foreign earnings - 14% liquid assets; 7% illiquid assets