



# House and Senate Tax Reform Comparison

As of December 7<sup>th</sup> 2017



## Tax Reform: House and Senate Comparison

	<b>Current 2017 Law</b>	<b>House Bill Passed on Nov 16, 2017</b>	<b>Senate Bill Passed on Dec 2, 2017</b>
<b>Business Tax Provisions</b>	Corporate Income Tax Rate Graduated tax rates up to 39% rate with phase-out producing 35% flat rate above \$18,333,333	Corporate Income Tax flat rate of 20%, effective for 2018.	Corporate Income Tax flat rate of 20%, effective for 2019
	Pass-through entity income is taxed as ordinary income	Taxes income derived from pass-through businesses at a maximum rate of 25 percent	Allows individuals to deduct 23% of qualified business income from a pass-through entity
	C corporations are subject to AMT designed to limit benefits of certain tax benefits	Repeals AMT	No changes to AMT
	Business interest is generally deductible	Business interest deduction is limited to total of business' interest income plus 30% of its adjusted taxable income	Business interest deduction is limited to businesses with less than \$15 million of income over 3 years are exempt
	Property generally must be depreciated	Increases additional deduction to 100% of basis for property placed in service after 9/27/17 and before 1/1/23	Increases additional deduction to 100% of basis for property place in service beginning in 2023
	Taxpayers may elect to deduct the full amount of qualifying property, limited to \$500,000 annually and phased out above \$2,000,000 of qualifying property	Increases limit on qualifying property to deduct full amount to \$5,000,000 annually with phase-out starting at \$20,000,000 of qualifying property	Increases limit on qualifying property to deduct full amount to \$1,000,000 annually with phase-out starting at \$2,500,000 of qualifying property
	Net operating losses (NOLs) may be carried back two years and forward 20 years	Limits net operating losses (NOLs) carryover to 90% of taxable income. Carryovers are adjusted to reflect the limitation and may be carried forward indefinitely	Net operating losses (NOLs) same as House except: No inflation adjustment, 2-year carryback for certain farming losses, Limit is 80% after 2022
	Allows gain on exchange of like-kind property held for productive use in a trade or business or for investment (section 1031 exchanges)	Limits section 1031 exchanges to real property	Limits section 1031 exchanges to real property not held primarily for sale



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<b>Individual Income Tax Provisions</b>	7 Tax Bracket Rates: 10%, 15%, 25%, 28%, 33%, 35%, 39.6%	4 Tax Bracket Rates: 12%, 25%, 35% and 39.6%	7 Tax Bracket Rates: 10%, 12%, 22%, 24%, 32%, 35%, 38.5%
	Standard Deductions: - Single: \$6,300 - MFJ: \$12,700	Almost doubles standard deduction - Single: From \$6,300 to \$12,200 - MFJ: from \$12,700 to \$24,400	Similar deductions as the House
	3 Capital Gains and Dividends Rates: 0%, 15%, 20%	Same Capital Gains and Dividends Rates but applied differently	Capital Gains and Dividends Rates, no changes
	Flexibility in determining shares sold	No changes to shares sold	Requires use of first-in first-out method unless average method allowed
	Taxes paid to state and local governments are deductible	Limits state and local property tax deduction to \$10,000	Same as House
	Mortgage interest deduction on the first \$1 million of mortgage and \$100,000 of home equity debt	Limits mortgage interest deduction to \$500,000 of debt	No deduction for home equity
	Personal and Dependency Exemption: \$4,050 per person	Eliminates Personal exemption	Eliminates Personal exemption
	Individual health insurance penalty imposed for no coverage	No change to individual health insurance mandate	Individual health insurance penalty set to \$0
	Alternative Minimum Tax (AMT) imposed to limit benefit of certain tax benefits	Repeals Alternative Minimum Tax (AMT)	Increases Alternative Minimum Tax (AMT) exemption amounts and phase-out ranges for exemption amounts through 2025
	Provides credit for the elderly and permanently and totally disabled	Repeals credit for the elderly and permanently and totally disabled	Repeals credit for the elderly and permanently and totally disabled
Casualty losses are deductible subject to 10% AGI limit and \$100 floor	Repeals casualty losses are deductible subject to 10% AGI limit and \$100 floor	Repeals casualty losses are deductible subject to 10% AGI limit and \$100 floor	

	Medical expenses are deductible to the extent they exceed 10% of AGI	Repeals medical expense deduction	Medical expenses are deductible to the extent they exceed 7.5% of AGI
	Student loan interest is deductive without itemizing deductions	Repeals student loan interest deduction	Student loan interest is deductive without itemizing deductions, no repeal
	Excludes \$5,250 of benefits per year under qualified educational assistance programs	Repeals qualified educational assistance programs exclusion	Excludes \$2,500 of benefits per year under qualified educational assistance programs
	Deductible cash contributions to public charities are limited to 50% of the taxpayer's AGI. Unused deductions can be carried forward 5 years	Deductible cash contributions to public charities are limited to 60% of the taxpayer's AGI	Deductible cash contributions to public charities are limited to 60% of the taxpayer's AGI, same as House
	Various Miscellaneous expenses are deductible subject to 2% floor	Repeals deduction for tax preparation fees and employee expenses	Repeals all miscellaneous expenses through 2025
	Itemized deductions (with certain exemptions) reduced by 3% of AGI above threshold amount	Repeals itemized deductions limit	Repeals Itemized deductions through 2025
	Alimony is deductible by the payor and taxable to the recipient	Alimony payments are not deductible by the payor and taxable by the recipient	Alimony is deductible by the payor and taxable to the recipient, no change
<b>Estate and Gift Tax Provisions</b>	Estate and gift tax exemption of \$5 million, adjusted for inflation	Increases exemption to \$10 million with inflation adjustments; Repeals estate tax for persons dying after 2024	Same exemption as House through 2025; No repeal
	Generation-skipping transfer tax imposed on generation-skipping transfers at 40% rate, with exemption equal to estate and gift tax exemption	Increases exemption to \$10 million with inflation adjustments; Repeals GST tax beginning in 2025	No repeal of GST
	Basis adjusted to estate tax value ("stepped-up basis")	No change to "stepped-up basis"	No change to "stepped-up basis"