

**COMPARISON OF HOUSE AND SENATE VERSIONS OF TAX CUTS AND JOBS ACT
PROVISIONS FOR INDIVIDUAL TAXPAYERS**

	House bill		Senate bill	
Tax rates and brackets		<u>Single</u>		<u>Single*</u>
	12% 25% 35% 39.6%	\$0 - \$45,000 \$45,000 - \$200,000 \$200,000 - \$500,000 \$500,000 +	10% 12% 22% 24% 32% 35% 38.5%	\$0 - \$9,525 \$9,525 - \$38,700 \$38,700 - \$70,000 \$70,000 - \$160,000 \$160,000 - \$200,000 \$200,000 - \$500,000 \$500,000 +
		<u>Married</u>		<u>Married*</u>
	12% 25% 35% 39.6%	\$0 - \$90,000 \$90,000 - \$260,000 \$260,000 - \$1,000,000 \$1,000,000 +	10% 12% 22% 24% 32% 35% 38.5%	\$0 - \$19,050 \$19,050 - \$77,400 \$77,400 - \$140,000 \$140,000 - \$320,000 \$320,000 - \$400,000 \$400,000 - \$1,000,000 \$1,000,000 +
Capital gain/dividend rates		<u>Single</u>		<u>Single*</u>
	0% 15% 20%	\$0 - \$38,700 \$38,700 - \$424,950 \$424,950 +	0% 15% 20%	\$0 - \$38,600 \$38,600 - \$425,800 \$425,800 +
		<u>Married</u>		<u>Married*</u>
	0% 15% 20%	\$0 - \$77,400 \$77,400 - \$480,050 \$480,050 +	0% 15% 20%	\$0 - \$77,200 \$77,200 - \$479,000 \$479,000 +
Net investment income tax	Retained (3.8%)		Retained (3.8%)	
Standard deduction	\$12,200 (single) \$24,400 (married)		\$12,000 (single)* \$24,000 (married)*	
Personal exemption	Eliminated		Eliminated*	
Child tax credit	Increased to \$1,600 for children (add'l \$600 nonrefundable) Added \$300 for non-child dependents \$300 for each spouse for next 5 years		Increased to \$2,000 for children (add'l \$1,000 nonrefundable)* Added \$500 for non-child dependents (nonrefundable)	
Itemized deductions				
Medical expenses	Eliminated		Enhanced (lowers threshold to 7.5% thru 2018)	
State and local income taxes	Eliminated (except for business income tax)		Eliminated*	
Property taxes	Partially retained (up to \$10,000)		Partially retained (up to \$10,000)*	
Mortgage interest	Partially retained (up to \$500,000 for new loans; no deduction for interest on second home or new home equity loans)		Partially retained (no deduction for interest on home equity loans*)	
Charitable deductions	Enhanced (public charity limit increased to 60%)		Enhanced (public charity limit increased to 60%)	
Personal casualty losses	Eliminated (except for federal disaster areas)		Eliminated (except for federal disaster areas)*	
Unreimbursed employee expenses	Eliminated		Eliminated*	
Tax preparation fees	Eliminated		Eliminated*	
Gain from sale of principal residence	8-year look back period 5-year ownership and use requirement during look back period Limited to 1 sale/exchange every 5 years		8-year look back period* 5-year ownership and use requirement during look back period* Limited to 1 sale/exchange every 5 years*	
Alimony deduction	Eliminated		Retained	
Student loan interest	Eliminated		Retained	
Educator deduction	Eliminated		Enhanced (increased to \$500)*	
Moving expenses	Eliminated		Eliminated*	
Estate and gift tax	Immediately increases exemption to \$10 million After 2024, estate tax is eliminated but step-up in basis is preserved		Immediately increases exemption to \$11 million*	
Individual mandate	Retained		Eliminated	
Alternative minimum tax	Eliminated		Retained (threshold raised)*	

*Provisions expire at end of 2025



**COMPARISON OF HOUSE AND SENATE VERSIONS OF TAX CUTS AND JOBS ACT
PROVISIONS FOR BUSINESS TAXPAYERS**

	House bill	Senate bill
Corporate income tax rate	Top rate of 20%	Top rate of 20% beginning in 2019
“Passthrough” tax rate Sole proprietors, partners in partnerships, members of LLCs, and S corporation shareholders	<i>Passive investors</i> - Top rate of 25% <i>Investors who “materially participate”</i> - Only 30% of the income is attributable to the capital of the business and subject to the 25% rate. Remainder is taxed at individual rates. <i>Owners of service businesses (e.g., accountants and lawyers)</i> - Rebuttable presumption that zero percent of income is eligible for 25% rate	May take a deduction of up to 23% of their “qualified business income”. Deduction limited to 50% of W-2 wages paid by the business, unless the filer’s income is less than \$250,000 (\$500,000 if married). Additional income is taxed at ordinary rates Deduction <u>not</u> available to owners of a “specified service business” (e.g., accounting, law, engineering), unless the owner’s income is less than \$250,000 (\$500,000 if married)
C corporations required to use accrual method	Increased (receipts greater than \$25 million)	Increased (receipts greater than \$15 million)
All businesses with inventory forced onto accrual method	Increased (receipts greater than \$25 million)	Increased (receipts greater than \$15 million)
Forced switch from completed contract method to percentage of completion for accounting for long-term contracts	Increased (receipts greater than \$25 million)	Increased (receipts greater than \$15 million)
Requirement to apply Section 263A Unicap rules to inventory	Increased (receipts greater than \$25 million)	Increased (receipts greater than \$15 million)
Net operating losses	No carry back, carry forward indefinitely, limited to 90% of taxable income	No carry back, carry forward indefinitely, limited to 90% (80% in the case of taxable years beginning after December 31, 2022) of taxable income
Deduction for net interest expense	Limited to 30% of EBITDA, 5-year carryover	Limited to 30% of “adjusted taxable income”, indefinite carryover
Section 179 expense	Limited to \$5 million	Limited to \$1 million
Recovery period for real property	Unchanged	Shortened to 25 years
Bonus depreciation for assets with MACRS recovery period of 20 years or less	100% for property placed in service before 1/1/2023	100% for property placed in service before 1/1/2023 (phased-out over next five years)
Entertainment expenses	Nondeductible	Nondeductible
Section 199 manufacturers deduction	Eliminated	Eliminated
Alternative minimum tax for corporations	Eliminated	Retained
International law	Territorial regime 100% dividends received deduction to U.S. corporations when amounts are repatriated from foreign subsidiaries One-time “deemed repatriation” imposed- U.S. corporation pays tax of 14% on any cash overseas and 7% on illiquid assets	Territorial regime 100% dividends received deduction to U.S. corporations when amounts are repatriated from foreign subsidiaries One-time “deemed repatriation” imposed- U.S. corporation pays tax of 14.49% on cash and 7.49% on illiquid assets

