

NATIONAL SOCIETY OF TAX PROFESSIONALS

TAX CUTS AND JOBS ACT H.R.1

COMPARISON OF HOUSE AND SENATE BILLS AS OF DECEMBER 6, 2017

<u>PROVISION:</u>	<u>HOUSE BILL</u>	<u>SENATE BILL</u>
1. Individual Tax Rates	12%, 25%, 35%, 39.6%. <ul style="list-style-type: none">• 12% rate phased out for taxpayers in the 39.6% bracket• Permanent Provision	10%, 12%, 22%, 24%, 32%, 35%, 38.5% <ul style="list-style-type: none">• Scheduled to expire after 2025
2. Personal and Dependency Exemptions	Repeal	Repeal <ul style="list-style-type: none">• Possible Sunset after 2025
3. Standard Deductions	<ul style="list-style-type: none">• \$24,400 MDJT• \$18,300 HHH• \$12,200 SINGLE• Indexed to inflation	<ul style="list-style-type: none">• \$24,000 MDJT• \$18,000 HHH• \$12,000 SINGLE• Temporary provision until 2025 <p>No change to Additional Standard Deduction for age and blindness</p>

<u>PROVISION:</u>	<u>HOUSE BILL</u>	<u>SENATE BILL</u>
4. Earned Income Tax Credit	Retain	Retain
5. Medical Expense Deductions	Repeal	Retain <ul style="list-style-type: none"> Temporarily lower the AGI threshold to 7.5% to pre-ACA level for years beginning after 12/31/2016 and ending before 1/1/2019
6. State & Local Income Taxes	Repeal	Repeal <ul style="list-style-type: none"> Reinstate after 2025
7. Real Estate Taxes	Limit Deduction to \$10,000	Limit to \$10,000 for married joint and \$5,000 for single
8. Mortgage Interest Deduction	Limit Interest on Debt to \$500,000 on Principal Residence only, on Post 11/2/2017 Acquisitions	Retain deductibility for debt up to \$1,000,000 . <ul style="list-style-type: none"> Repeal deduction on Home Equity Debt
9. Casualty Losses	Repeal except for Presidentially Declared Disaster Area Losses	Repeal except for Presidentially Declared Disaster Area Losses

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10. Charitable Contributions	Retain	Retain <ul style="list-style-type: none"> • Increase 50% AGI limitation • to a 60% AGI limitation
11. Charitable Contribution Mileage Deduction	No Change	Index to Inflation
12. Tax Return Preparation Fee Deduction	Repeal	Repeal
13. Miscellaneous - Itemized Deductions Subject to the 2% AGI test	Repeal	Repeal
14. Phase-out of the overall Itemized Deduction Amount (PEASE Provision)	Repeal	Repeal
15. Alternative Minimum Tax (AMT) Individuals	Repeal	Retain but increase the exemption amounts

<u>PROVISION:</u>	<u>HOUSE BILL</u>	<u>SENATE BILL</u>
16. Retirement Plan Contributions (IRA, §401(k), §403(b), §457(b))	Retain	Retain
17. Child Tax Credit	Increase from \$1,000 per qualified child to \$1,600 per qualifying child and add a temporary \$300 family credit for non-child dependents. Increase phase-out beginning at \$115,000 of AGI for Single and \$230,000 for Married Joint Returns	Increase to \$2,000 (\$1,000 refundable) per qualifying child under age 18 (The change in age would expire after 2024). For non-child dependents add a family credit of \$500 . Increase phase-out to \$500,000 for both Single and Married Joint Returns, not indexed. Decrease the earned income threshold for refundability from \$3,000 to \$2,500
18. Long-Term Capital Gain and Qualified Dividends Preferential Rates of 0%, 15%, 20%	Retain	Retain
19. Indexing of Provisions	Change from CPI to “chained CPI” which is a slower rate of indexing	Change from CPI to “chained CPI”

<u>PROVISION:</u>	<u>HOUSE BILL</u>	<u>SENATE BILL</u>
20. Adoption Credit	No Change	No Change
21. §137 Employer Adoption Assistance Exclusion	Repeal	Repeal
22. Affordable Care Act Taxes: Net Investment Income Tax at 3.8% and Additional Medicare Tax at .09%	Retain	Retain
23. Educator Deduction for Classroom Expenses and Professional Developmental Cost	Repeal	Increase deduction from \$250 to \$500
24. Child Care and Dependent Case Credit	Retain	Retain
25. Alimony Deduction	Repeal	Retain

<u>PROVISION:</u>	<u>HOUSE BILL</u>	<u>SENATE BILL</u>
26. Student Loan Interest Deduction	Repeal	Retain
27. Tuition and Fees Deduction Expired after 12/31/2016	Not Reinstated	Not Reinstated
28. Education Credits	Consolidate American Opportunity Tax Credit (AOTC) and Lifetime Learning Credit (LLC) into one Credit eliminating the Lifetime Learning Credit	Retain current AOTC and LLC
29. IRA Contributions	Repeal the allowance for recharacterizing traditional IRAs to Roth IRAs and recharacterization of Roth IRA to traditional IRAs	Retain
30. Roth Conversions	Repeal	Retain
31. Allowance of Meals for Convenience of the Employer	Retain	Repeal effective for tax years beginning after 12/31/2025

<u>PROVISION:</u>	<u>HOUSE BILL</u>	<u>SENATE BILL</u>
32. Employer Moving Expense Reimbursement Exclusion	Repeal	No Mention
33. Corporate Tax Rates	Repeal Graduated Rates and impose a flat 20% rate effective 1/1/2018 <ul style="list-style-type: none"> • Except Personal Service Corporations (PSC) will have a flat rate of 25% 	Repeal Graduated Rates for all Corporations and impose a flat 20% rate effective 1/1/2019
34. §179 Expense Deduction Election Amounts	Increase current \$500,000 amount indexed to inflation, to \$5M with the phase-out amount increased from \$2M indexed to inflation to \$20M , for tax years beginning after 12/31/2017 and ending before 1/1/2023	Increase current \$500,000 to \$1.5M with the phase-out beginning at \$2.5M for all tax years beginning after 12/31/2017 and permanent
35. Expansion of Cash Basis Accounting Method	Increased from current \$10M gross receipts test to a \$25M gross receipts test	Increase to a \$15M gross receipts test

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36. Fringe Benefits Business Entertainment Deduction (Amusement or Recreation)	Repeal the costs associated with entertainment retain 50% food and beverage	Repeal the costs associated with entertainment retain 50% food and beverage <ul style="list-style-type: none"> • Expand the current 50% limit on deductibility of business meals provided through in house cafeterias or otherwise on premises of employer
37. §199 Domestic Income Production Activity Deduction	Repeal for tax years beginning after 12/31/2017	Repeal for tax years beginning after 12/31/2018
38. Work Opportunity Credit	Repeal	No Mention
39. Bonus Depreciation Immediate Expressing of Qualified Property	Allow an unlimited Deduction for 5 years for all tangible and intangible property after 9/27/2017 and before 1/1/2023	Allow an unlimited Deduction for 5 years for all tangible and intangible property after 9/27/2017 and before 1/1/2023 <ul style="list-style-type: none"> • For assets placed in services after 9/27/2017 and before 1/1/2018, 50% bonus can be elected

<u>PROVISION:</u>	<u>HOUSE BILL</u>	<u>SENATE BILL</u>
40. Net Operating Losses (NOL) for Both Individuals and Businesses	<p>Limit deduction to 90% of the NOL amount with a repeal of the 2 year carry back requirements except for farmers and casualties and allow a one year carry back only</p> <ul style="list-style-type: none"> • Repeal the 20 year carry forward limitation, therefore unlimited carryforward period allowed effective for tax years beginning after 12/31/2017 	<p>Limit the deduction to 90% of the NOL amount for tax years beginning after 12/31/2017 and 80% for tax years beginning after 12/31/2022. Repeal of the 2 year carry back period except for farmers for years beginning after 2023</p> <ul style="list-style-type: none"> • Repeal the 20 year carry forward limitation, therefore unlimited carryforward period allowed effective for tax years beginning after 12/31/2017
41. Estate Tax	<p>Double Current Lifetime Exclusion amount with total repeal for deaths after 12/31/2024</p>	<p>Retain but double the current exemption for deaths after 12/31/2017 through 2025</p>
42. Net Business Interest Deduction	<p>Limitation to 30% of adjusted taxable income for business with gross receipts greater than \$25M</p>	<p>Same limitation as House Bill but less than \$15M of gross receipts during 3 prior years</p>

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43. §1031 Like-Kind Exchanges	Repealed except for Real Estate Transaction Exchanges	Repealed except for Real Estate Transaction Exchanges <ul style="list-style-type: none"> • Transition rule for transactions beginning before 1/1/2018 and completed under the replacement period rules in 2018
44. Special Income Tax Rate for Small Business Pass Through Income	Net 25% rate except for Professional Services Businesses <ul style="list-style-type: none"> • 9% for certain small businesses • (Based on a formula) 	23% deductible approach subject to a number of limitations and qualifications (Based on a formula)
45. Charitable Contributions Substantiation Rules for Contributions of ≥ \$250 per single Contribution	Retain	Repeal

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46. §121 Exclusion for Gain on Sale of Principal Residence	Change the 2 out of 5 year rule for ownership and use to 5 out of 8 years. Limit the exclusion to once every 5 years from once every 2 years	Change the 2 out of 5 year rule for ownership and use to 5 out of 8 years. Limit the exclusion to once every 5 years from once every 2 years <ul style="list-style-type: none"> • Allows current exclusion amounts for written binding contracts in effect prior to 1/1/2018 • Retains partial exclusion for unforeseen circumstances
47. Gambling Losses	No Mention	Modify the limitation on wagering losses to provide all deductions for expenses incurred in wagering expenses and not just gambling losses
48. Private Activity Bond Interest Income	Repeals the ability to issue private activity bonds on a tax exempt basis	No Mention
49. Tax Exempt Bonds for Professional Stadiums	Repeal Tax Exempt interest income on these bonds	No Mention

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50. Mandate of Minimum Essential Coverage (MEC) for Individuals and Families and Applicable Large Employers (ALE) that fail to Offer Coverage to Full Time Employees	Retain	Repeal after 2018
51. Moving Expense Deduction	Repeal except for members of armed forces	Repeal except for members of armed forces
52. Conversion of a Traditional IRA to Roth IRA	Repeal	Retain
53. Rollover Period for the Rollover of Qualified Plan Loan Offset Amounts	No change proposed	Increase the 60 day rollover contribution period from 60 days to the due date (including extensions) for filing the income tax return
54. Rollovers to §529A ABLE Programs from §529 Programs Qualified Tuition	No provision change	Allow the rollover from a §529 Plan to a §529A ABLE program provided that the ABLE account is owned by the beneficiary of the §529 Plan or member of the beneficiary's family

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55. Student Loan Debt Discharge	No Mention	Certain student loans that are discharged on account of the death or total and permanent disability of the student would be excluded from gross income
56. Simplified Filing for Older Taxpayer	No provision proposed	Require IRS to publish a simplified income tax return as Form 1040 SR for persons \geq 65 by the end of the tax year, effective for tax years beginning after 12/31/2018
57. §529 Plans for Unborn Child	No provision proposed	An unborn child would be able to qualify as a designated beneficiary effective for contributions made after 12/31/2017 and before 1/1/2026
58. 2016 Disaster Tax Relief for All Presidentially Declared Disaster Areas	No provision proposed	Tax Relief for Victims from any area resulting from casualty losses during 2016. Rules similar to Hurricanes Harvey, Irma and Maria in 2017
59. Deferred Foreign Profits	Deemed repatriation of currently defined foreign profit of a rate of 12% for cash and cash equivalents profits and at 5% of all other profits	Deemed repatriation of currently defined foreign profit of a rate of 12% for cash and cash equivalents profits and at 5% of all other profits

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60. Creation of a Territorial Tax System	Exempts from U.S. Tax 100% of dividends of any foreign subsidiary	Exempts from U.S. Tax 100% of dividends of any foreign subsidiary
61. Kiddie Tax	No proposed change	Apply ordinary income rates to earned income of a single taxpayer and long-term capital gain rates applicable to Trusts and Estates, to the net unearned income of a qualifying child
62. Due Diligence Requirement for Head of Household Filing Status	No proposed change	Impose a due diligence requirement for paid tax preparers in determining the eligibility for a taxpayer to file with a status of Head of Household. Provides for imposing a \$500 penalty indexed to inflation (Form 8867)
63. Dividends Received Deductions for C-Corporations	Reduce the current 70% dividends received deduction to 50% and the current 80% dividends received deduction to 65%	No proposed change

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<p>64. §179 Property to Include Certain Real Estate Property</p>	<p>No proposed change</p>	<p>Expand the definition of “qualified real property” to include improvements to nonresidential real property placed in service after the date such property is placed in service and will include:</p> <ul style="list-style-type: none"> • Roofs • Heating • Ventilation and Air Conditioning System • Fire Protection • Alarm System • Security Systems <p>for Tax Years after 12/31/2017</p>
<p>65. Inventory Accounting Rules</p>	<p>No proposed change</p>	<p>Exempt Certain taxpayers from the requirements to keep inventory if gross receipts test of \$15M is met</p>
<p>66. Bonus Depreciation for Luxury Auto under §280F</p>	<p>No proposed change</p>	<p>Increase first year depreciation to \$8,000 for autos placed in service after 12/31/2017</p>

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67. Depreciation for Luxury Autos if Bonus Depreciation <u>not</u> claimed	No proposed change	<ul style="list-style-type: none"> • \$10,000 year one • \$16,000 year two • \$9,600 year three • \$5,760 year four and all subsequent years in the recovery period Dollars amount indexed to inflation for property placed in service after 12/31/2018
68. Listed Property Rules	No proposed change	<p>Remove computers and peripheral equipment from the definition of listed property</p> <ul style="list-style-type: none"> • Such property would <u>not</u> be subject to the heightened substantiation requirements
69. Cost Recovery of Certain Farm Property	No proposed change	Shorten the recovery period from 7 years to 5 years for qualifying machinery or equipment

<u>PROVISION:</u>	<u>HOUSE BILL</u>	<u>SENATE BILL</u>
70. Recovery Period for Residential and Nonresidential Real Property	No proposed change	<ul style="list-style-type: none"> • Shorten the recovery period for determining the depreciation deduction with respect to rental real estate to 25 years for property placed in service after 12/31/2017 • Eliminate the separate definitions of “qualified leasehold improvement property”, “qualified restaurant property” and “qualified retail improvements property” and provide a general 10 year period for qualified improvement property and a 20 year ADS recovery period for such property
71. Corporate Alternative Minimum Tax (AMT)	Repeal	<ul style="list-style-type: none"> • Retain

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72. Carried Interest	Retain	<ul style="list-style-type: none"> • Impose a 3 year holding period for certain partnership interests received in connection with the performance of services to be taxed as long term capital gain rather than ordinary income
73. Qualified Transportation Fringe Benefits	Retain	<ul style="list-style-type: none"> • Repeal
74. Employee Achievement Awards	Retain	<ul style="list-style-type: none"> • Repeal Deduction
75. Credit for Employee Paid Family Leave	No Proposal	12.5% credit of wages paid if rate of pay is 50% of wages normally paid