

Comparison of House and Senate Tax Reform Bills

<u>Provision</u>	<u>House Version of H.R. 1, the Tax Cuts and Jobs Act</u>	<u>Senate Version of H.R. 1, the Tax Cuts and Jobs Act</u>	<u>Conference Report of H.R. 1, the Tax Cuts and Jobs Act</u>
Individual Rates (Single)	12% \$0 - \$44,999 25% \$45,000 - \$199,999 35% \$200,000 - \$499,999 39.6% \$500,000 +	10% \$0 - \$9,524 12% \$9,525 - \$38,699 22% \$38,700 - \$69,999 24% \$70,000 - \$159,999 32% \$160,000 - \$199,999 35% \$200,000 - \$499,999 38.5% \$500,000 + *Expires 12/31/25	10% \$0 - \$9,524 12% \$9,525 - \$38,699 22% \$38,700 - \$82,499 24% \$82,500 - \$157,499 32% \$157,500 - \$199,999 35% \$200,000 - \$499,999 37% \$500,000 + *Expires 12/31/25
Individual Rates (Married Filing Jointly)	12% \$0 - \$89,999 25% \$90,000 - \$259,999 35% \$260,000 - \$999,999 39.6%* \$1 million + * 12 percent bracket phases out over \$1 million at \$6 for every \$100 of AGI over \$1 million	10% \$0 - \$19,049 12% \$19,050 - \$77,399 22% \$77,400 - \$139,999 24% \$140,000 - \$319,999 32% \$320,000 - \$399,999 35% \$400,000 - \$999,999 38.5% \$1 million + *Expires 12/31/25	10% \$0 - \$19,049 12% \$19,050 - \$77,399 22% \$77,400 - \$164,999 24% \$165,000 - \$314,999 32% \$315,000 - \$399,999 35% \$400,000 - \$599,999 37% \$600,000 + *Expires 12/31/25
Corporate Rate	20%	20% beginning 1/1/19	21%
Personal Service Corporations (C-Corp)	25%	20% beginning 1/1/19	21%
Standard Deduction	Increased to \$12,000 for individuals, \$24,000 for married filing jointly	Increased to \$12,000 for individuals, \$24,000 for married filing jointly* *Expires 12/31/25	Increased to \$12,000 for individuals, \$24,00 for married filing jointly* *Expires 12/31/25

Please note: Unless otherwise noted, all provisions go into effect January 1, 2018

Updated December 18, 2017

Prepared by Matthew Turkstra

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Individual Alternative Minimum Tax (AMT)	Repealed	Increased exemption amounts and phaseout thresholds* *Expires 12/31/25	Increases exemption amount to \$109,400 for MFJ and \$70,300 for individuals; Phaseout threshold increased to \$1 million for MFJ and \$500,000 for individuals *Expires 12/31/25
Corporate Alternative Minimum Tax (AMT)	Repealed	No provision	Repealed
Pass-Through Business Income	Capped at 25%; Income for active shareholders* over 25% defaults to 70% ordinary income and 30% to 25% rate cap; Alternative “return on investment” calculation available if depreciable capital times Federal short-term rate plus 7 percent exceeds 30% net business income; First \$75,000 of net business income taxed at special 9% rate for owners with less than \$150,000 in taxable income, then phases out up to \$225,000. Special rate phased in over 5 years *Defined under Section 469	23% deduction on pass-through income*; Deduction not allowed for reasonable compensation paid to S-Corp owners; Limited to half of W-2 wages for individuals with over \$250,000 in taxable income (\$500,000 MFJ)**; Effective top marginal rate on pass-through income of 29.6%; Excess business losses disallowed. Excess loss is aggregate losses of active shareholders, over \$500,000 (MFJ) or \$250,000 (Ind) Trusts and estates excluded from receiving deduction *23% deduction expires 12/31/25 ** Phases out at \$300,000 (ind)/\$600,000 (MFJ)	20% deduction on pass-through income*; Deduction not allowed for reasonable compensation paid to S-Corp owners; Limited to half of W-2 wages or 25% of wages plus 2.5% of unadjusted basis of depreciable capital, for individuals with over \$157,500 in taxable income (\$315,000 MFJ)**; Effective top marginal rate on pass-through income of 29.6%; Excess business losses disallowed. Excess loss is aggregate losses of active shareholders, over \$500,000 (MFJ) or \$250,000 (Ind); Trusts and estates eligible for deduction *20% deduction expires 12/31/25 **Phases out at \$207,500 (ind)/\$415,000 (MFJ)

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Passive Shareholder	100% of passive income* capped at 25% rate. *Defined under Section 469	Passive shareholder* income subject to 23% deduction**. *Defined under Section 469 **23% deduction expires 12/31/25	Passive shareholder* income subject to 20% deduction**. *Defined under Section 469 **20% deduction expires 12/31/25
Service Businesses	Defaults to 100% of income from service businesses treated as wages*; Service businesses eligible for special “small business rate” *Can access 25% through ROI calculation if over 10% capital investment **Service business defined under Section 1202(e)(3)(A) plus financial services	Excluded from receiving the 23% deduction above \$500,000 (MFJ) and \$250,000 (Ind)* *Phases out at \$600,000/\$300,000 **Expires 12/31/25 ***Service business defined under Section 1202(e)(3)(A) plus financial services	Excluded from receiving the 20% deduction above \$157,500 in taxable income (\$315,000 MFJ)* Architecture and engineering eligible for deduction *Phases out at \$207,500 (ind)/\$415,000 (MFJ) **Expires 12/31/25 ***Service business defined under Section 1202(e)(3)(A) plus financial services
Expensing	Temporary full expensing for property currently eligible for bonus depreciation for 5 years; Applies to property placed in service after September 27, 2017 Applies to new and used equipment	Temporary full expensing for property currently eligible for bonus depreciation for 5 years; Applies to property placed in service after September 27, 2017 Applies to new equipment only	Temporary full expensing for property currently eligible for bonus depreciation for 5 years; Applies to property placed in service after September 27, 2017 Applies to new and used equipment
Section 179 Expensing	Temporarily increased to \$5 million with \$20 million phaseout for 5 years; Energy efficient HVAC equipment added *Indexed to inflation	Permanently increased to \$1 million with \$2,500,000 phaseout; Roofs, HVAC, fire protection, alarms, and security systems added Property used to furnish lodging added *Indexed to inflation	Permanently increased to \$1 million with \$2,500,000 phaseout; Roofs, HVAC, fire protection, alarms, and security systems added Property used to furnish lodging added *Indexed to inflation

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Real Property Depreciation	No provision	Depreciable life reduced to 25 years	No provision
Cash Accounting	Available to C-Corps and Pass-Throughs with up to \$25 million in gross receipts, including inventories* *Farming and Professional Service Corporation Exemptions from Accrual Retained	Available to C-Corps and Pass-Throughs with up to \$15 million* in gross receipts, including inventories** *Indexed to inflation **Farming and Professional Service Corporation Exemptions from Accrual Retained	Available to C-Corps and Pass-Throughs with up to \$25 million* in gross receipts, including inventories** *Indexed to inflation **Farming and Professional Service Corporation Exemptions from Accrual Retained
UNICAP Exemption	Increased to \$25 million	Increased to \$15 million* *Indexed to inflation	Increased to \$25 million* *Indexed to inflation
Small Contractor Exemption	Increased to \$25 million	Increased to \$15 million* *Indexed to inflation	Increased to \$25 million* *Indexed to inflation
Interest Deduction	Interest exceeding 30 percent EBITDA not deductible; Exempts real property trades or businesses; Exempts businesses with less than \$25 million in gross receipts	Interest exceeding 30 percent EBIT not deductible. Exempts real property trades or businesses; Exempts businesses with less than \$15 million in gross receipts	Interest exceeding 30 percent EBITDA not deductible up to 12/31/21, then switches to EBIT; Exempts real property trades or businesses; Exempts businesses with less than \$25 million in gross receipts
State and Local Taxes	Repealed except for \$10,000 property tax deduction allowance	Repealed except for \$10,000 property tax deduction allowance* *Expires 12/31/25	State and local sales, income, and property taxes capped at \$10,000 (combined)* *Expires 12/31/25

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Net Operating Losses (NOLs)	Follows AMT rule for NOLs limited to 90% of current year taxable income, but can be carried forward indefinitely; NOL carrybacks eliminated, except for one-year carrybacks for certain disaster losses.	Follows AMT rule for NOLs limited to 90% of current year taxable income, but can be carried forward indefinitely; Limited to 80% of taxable income in 12/31/22; NOL carrybacks generally eliminated, except for one-year carrybacks for certain disaster losses.	NOLs limited to 80% of current year taxable income beginning after 12/31/17; NOL carrybacks generally eliminated, except for one-year carrybacks for certain disaster losses.
Domestic Production Activities Deduction (Section 199)	Repealed	Repealed	Repealed
Mortgage Interest	Deductible up to \$500,000; Home equity interest deduction repealed; Interest from second home deduction repealed *Existing mortgage loans grandfathered	Deductible up to \$1 million; Home equity interest deduction repealed *Existing mortgage loans grandfathered **Expires 12/31/25	Deductible up to \$750,000 for primary residence and second homes; Home equity interest deduction repealed *Existing mortgage loans grandfathered **Expires 12/31/25
Estate/Gift/GST Taxes	Estate tax exclusion doubled from current level* to \$10.98 million for 5 years (40 percent rate retained), then estate and GST tax fully repealed after 2023; Stepped-up basis retained; Gift tax exclusion raised to \$10 million, rate lowered to 35% *Indexed to inflation from 2011	Estate and gift tax exclusion doubled from current level* to \$10.98 million** *Indexed to inflation from 2011 **Expires 12/31/25	Estate and gift tax exclusion doubled from current level* to \$10.98 million** *Indexed to inflation from 2011 **Expires 12/31/25

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Like-Kind Exchanges (LKEs)	LKEs for real property only. Equipment disallowed.	LKEs for real property only. Equipment disallowed.	LKEs for real property only. Equipment disallowed.
Indexing	Chained CPI for inflation adjustment	Chained CPI for inflation adjustment	Chained CPI for inflation adjustment
Private Activity Bonds (PABs)	Repeals tax exemption for all PABs issued after 2017	No provision	No provision
Historic Tax Credit	Repealed	10% credit for pre-1936 buildings repealed; 20% credit for certified historic structures amortized over 5 years	10% credit for pre-1936 buildings repealed; 20% credit for certified historic structures amortized over 5 years
New Markets Tax Credit	Prospectively repealed beginning in 2018. Existing credits can be used for up to 7 years.	No provision	No provision
Municipal Bonds	No provision	No provision	No provision
Advanced Refund Municipal Bonds	Repeals tax exemption for advanced refund bonds issued after 12/31/2017	Repeals tax exemption for advanced refund bonds issued after 12/31/2017	Repeals tax exemption for advanced refund bonds issued after 12/31/2017
Highway Trust Fund	No provision	No provision	No provision
Carried Interest	Imposes a 3-year holding requirement for long-term capital gains in investment partnerships	Imposes a 3-year holding requirement for long-term capital gains in investment partnerships	Imposes a 3-year holding requirement for long-term capital gains in investment partnerships
Work Opportunity Tax Credit (WOTC)	Repealed	No provision	No provision
Independent Contractor	No provision	No provision	No provision
Paid Leave	No provision	12.5% to 25% tax credit* for employers offering at least 2 weeks paid family and medical leave to employees earning up to \$72,000** *Expires 12/31/2019 **Employee must get at least 50% normal wages	12.5% to 25% tax credit* for employers offering at least 2 weeks paid family and medical leave to employees earning up to \$72,000** *Expires 12/31/2019 **Employee must get at least 50% normal wages
Composite Plans	No provision	No provision	No provision

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