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What's in the Conference Report on the Tax Cuts and Jobs Act

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CORPORATE AND INDIVIDUAL RATES WOULD BE REDUCED

Rule	Current law	Tax Cuts and Jobs Act conference report
Corporate rate	35 percent top rate	21 percent flat rate
Passthroughs	39.6 percent top rate	20 percent deduction for income of certain types of passthroughs. Expires after 2025
Individual brackets and rates	7 brackets: 10, 15, 25, 28, 33, 35, 39.6 percent	7 brackets: 10, 12, 22, 24, 32, 35, 37 percent. Expires after 2025
Estate tax	Applies to amounts greater than \$5.49M single, \$10.98M couple	Double the exclusion through 2025
Alternative minimum tax	Separate tax calculation on some returns	Repeal for corporations; larger exemption and phaseout threshold for individuals until 2026
Carried interest	Capital gains rate on certain investment manager income	Assets would have to be held for three years
Inflation adjustment	Traditional consumer price index (CPI-U)	Chained CPI (C-CPI-U)

INDIVIDUAL DEDUCTIONS & CREDITS WOULD CHANGE

Rule	Current law	Tax Cuts and Jobs Act conference report
Standard deduction	\$6,350 for individuals; \$12,700 for joint filers (2017)	\$12,000 for individuals; \$24,000 for joint filers*; Expires after 2025
Child tax credit	\$1,000 per child	<ul style="list-style-type: none"> • \$2,000 per child (\$1,400 refundable) • \$500 for nonchild dependents • Expands eligibility by increasing income limit • Changes expire after 2025
State and local tax	Itemized deduction for taxes paid	\$10,000 cap for individuals until 2026
Mortgage interest	Deduct as much as \$1 million in mortgage principal	Retain current cap for existing mortgages; deduct as much as \$750,000 for future home purchases. Expires after 2025
Charitable giving	Deduct as much as 50 percent of AGI	<ul style="list-style-type: none"> • Deduct as much as 60 percent of AGI • End deduction for college athletic seating
Student loan interest	Deduct as much as \$2,500**, phased out for higher incomes	Retained

*Would consolidate standard deduction and personal exemption; **Above-the-line deduction available to filers who don't itemize deductions

Note: AGI – adjusted gross income

Sources: [BGOV Bill Page for H.R. 1](#); [Conference Report Joint Explanatory Statement](#)

THE FATE OF OTHER INDIVIDUAL TAX PROVISIONS

Rule	Tax Cuts and Jobs Act conference report
Individual health insurance mandate penalties	Repeal in 2019
Adoption credit	Retain
Graduate student tuition waivers	Retain exclusion
Personal casualty loss deduction	Allow only for presidentially declared major disasters through 2025; expand for 2016 and 2017 disasters
Medical expense deduction	Expand for 2018 and 2019
529 education savings accounts	Use \$10,000 annually for K-12 public and private schools and homeschooling
Electric vehicle credit	Retain
Alimony deduction	Eliminate for divorces after 2018
Moving expense deduction	Retain only for armed forces through 2025
Employer-provided moving assistance exclusion	Retain only for armed forces through 2025
Home equity indebtedness deduction	Suspend through 2025
Exclusion of employer-paid bicycle expenses	Suspend through 2025

Note: AGI – Adjusted Gross Income

Sources: [BGOV Bill Page for H.R. 1](#); [Conference Report Joint Explanatory Statement](#)

BUSINESS PROVISIONS INCLUDE EXPENSING RULES

Rule	Current law	Tax Cuts and Jobs Act conference report
Expensing	Depreciated over time	Immediate 100 percent expensing before Jan. 1, 2023; gradual drawdown through 2026. Expanded Section 179 for small businesses
Business interest	Deductible	Limit to 30 percent of adjusted taxable income for most businesses with average gross receipts greater than \$25 million. Applied against less income after 2021*
Net operating loss	Deductions that exceed gross income can be carried back two years and forward 20 years	Carryforward limited to 80 percent of eligible income. Indefinite carry-forward; carry-back only for some farms and insurance
Bonds	Interest on state and local bonds isn't taxable	<ul style="list-style-type: none"> • End exclusion for advance refunding bonds • Retain for private activity bonds • Bar issuance of new tax credit bonds

Note: *Adjusted taxable income is earnings before interest, taxes, depreciation, and amortization (EBITDA) through 2021, then earnings before interest and taxes (EBIT)
Sources: [BGOV Bill Page for H.R. 1](#); [Conference Report Joint Explanatory Statement](#)

NEW TREATMENT OF MULTINATIONALS' INCOME

Rule	Current law	Tax Cuts and Jobs Act conference report
Income earned abroad by U.S. businesses	Subject to corporate income tax, less credits for foreign taxes paid	Exemption for dividends paid to U.S. shareholders. New taxes on: <ul style="list-style-type: none"> • Global intangible low-taxed income • Foreign-derived intangible income • Deductible payments to related parties (base erosion and anti-abuse tax)
Repatriation	No special rate	15.5 percent repatriation rate for cash profits held offshore; 8 percent for non-cash
Interest expense	Deductible	Deductible (proposed limit not adopted)

THE FATE OF OTHER BUSINESS PROVISIONS

Rule	Tax Cuts and Jobs Act conference report
Orphan drug credit	Reduce to 25 percent of expenses from 50 percent
Domestic production deduction	Eliminate in 2018 for non-corporate businesses, in 2019 for C corporations
Entertainment, employee fringe benefits deductions	Eliminate for most expenses; retain for food and beverages until 2026
Employee transport benefits deduction	Eliminate
Employer-provided child care credit	Retain
Low income housing credit	Retain
Structure rehab credit	Retain for historic structures
Work opportunity tax credit	Retain
New markets tax credit	Retain
Disabled access credit	Retain
Local lobbying expense deduction	Eliminate
Unused business credits deduction	Retain
FDIC fee deduction	Limit
Alcohol excise tax	Reduce for certain producers in 2018 and 2019

Note: FDIC – Federal Deposit Insurance Corporation

Sources: [BGOV Bill Page for H.R. 1](#); [Conference Report Joint Explanatory Statement](#)

ABOUT THE ANALYST



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