

## Comparison of House and Senate Versions of Tax Reform Bill

House Bill	Senate Bill
Four tax brackets (12%, 25%, 35%, 39.6%)	Seven tax brackets, but reduced rates (10%, 12%, 22%, 24%, 32%, 35% and 38.5%)
Standard deduction increased (\$24,400 MFJ, \$12,200 Single/MFS, \$18,300 HOH)	Standard deduction increased (\$24,000 MFJ, \$12,000 Single/MFS, \$18,000 HOH)
Personal exemptions eliminated	Personal exemptions eliminated
Flow-through business income limited to 25% income tax rate, complex provisions to qualify, some active business income taxed at maximum 11% to 9% rate (phased in)	New 17.4% deduction for qualified business income from a domestic partnership, S corp. or sole proprietorship, limited to 50% of the W-2 wages and deferred compensation paid by these entities, phased out for AGI over certain levels, many special rules
Child tax credit raised to \$1,600, TP & spouse credit \$300	Child tax credit raised to \$2,000, phased out for AGI over \$500,000 (MFJ)
No deduction for medical expenses	
No deduction for state & local income taxes, property taxes capped at \$10,000	No deduction for state & local income taxes or property taxes
Mortgage interest deduction reduced to \$500,000 debt, limit one residence, interest on equity debt not deductible	No deduction for mortgage interest on equity debt
No deduction for personal casualty losses except for disaster losses	No deduction for personal casualty losses except for disaster losses
No deduction for tax preparation, advice, etc.	No deduction for tax preparation
No deduction for employee business expenses except for reimbursed expenses	No deduction for miscellaneous itemized that are subject to 2%-of-AGI reduction
Maximum deduction for charitable contributions raised to 60% of AGI	Maximum deduction for charitable contributions raised to 60% of AGI
No AGI phaseout for itemized deduction	No AGI phaseout for itemized deduction
No deduction for alimony; alimony income not taxable	
Above-the-line deductions for performing artists and for teachers' expenses eliminated	Limit on above-the-line deduction for teachers' expenses increased from \$250 to \$500
Principal residence exclusion – ownership/use test raised to 5 years out of 8, AGI phaseout	Principal residence exclusion – ownership/use test raised to 5 years out of 8, partial exclusion allowed for less than 5 years
No deduction for moving expenses and no exclusion for moving expense reimbursement except for armed forces	No deduction for moving expenses and no exclusion for moving expense reimbursement except for armed forces
No deduction or exclusion for contributions to an MSA	
Recharacterization of Roth IRA to traditional IRA eliminated	Recharacterization of Roth IRA to traditional IRA eliminated
Estate tax exemption raised from \$5 million to \$10 million, estate tax and GST tax eliminated 1/1/2025	Estate tax exemption raised from \$5 million to \$10 million, indexed for inflation
Alternative Minimum Tax eliminated	Alternative Minimum Tax eliminated

## Comparison of House and Senate Versions of Tax Reform Bill

House Bill	Senate Bill
Corporate tax rates eliminated, replaced by 20% flat tax rate (25% for PSCs), effective 1/1/2018	Corporate tax rates eliminated, replaced by 20% flat tax rate (including PSCs), effective date delayed to 1/1/2019
IRC §179 election limits expanded	IRC §179 election limits expanded
Threshold for cash method of accounting raised from \$10 to \$25 million	Threshold for cash method of accounting raised from \$10 to \$15 million
Bonus depreciation increased from 50% to 100%, extended through 2022	Bonus depreciation increased from 50% to 100%
NOL carrybacks eliminated except disaster losses, unlimited carryover period	NOL carrybacks eliminated except farming losses, unlimited carryover period
NOL deduction limited to 90% of taxable income	NOL deduction limited to 80% of taxable income after 2023
Like kind exchanges limited to real property	Like kind exchanges limited to real property
Domestic production activity deduction eliminated	Domestic production activity deduction eliminated
Entertainment deduction eliminated, some exceptions	Entertainment deduction eliminated, some exceptions
Beginning 2023, research & experimentation expenses amortized over 5 years	Beginning 2026, research & experimentation expenses amortized over 5 years
No credit for disabled access expenditures (IRC §44), employer-provided child care (IRC §45F), rehabilitation expenditures (IRC §47), work opportunity credit (IRC §51)	
Definition of capital asset modified to exclude patent, invention, model, design, secret formula and process	
Eliminate technical termination of partnership for sale or exchange of more than 50% of partnership interests	
After 2018, 501(c)(3) organizations permitted to engage in political activities without affecting tax exempt status	
	Deferral of compensation from nonqualified plan eliminated in certain situations
	Recovery period for nonresidential and residential property shortened from 27.5 to 25 years (10 years for improvement property), and ADR period for residential rental property shortened from 40 to 30 years
	Basis limitation on partnership losses to include charitable contributions and foreign taxes
	Preparers required to conduct due diligence for HOH filing status
	Eliminate the penalty for not having health insurance ("individual mandate," IRC §5000A(c))
	Permit tax-free rollovers from 529 plans to ABLE accounts under certain circumstances