

Congress is busy at work on the Tax Cuts and Jobs Act. On Thursday, November 9, two tax reform bills were introduced, one by the Senate Finance Committee and the other (a revised version to their original bill introduced on November 2) by the House Ways and Means Committee. The bill aims to be the largest tax reform since 1986. The most significant provisions include:

Individual Income Taxes

- The House bill would reduce the current number of individual tax brackets from 7 to 4 with a top bracket of 39.6% (same as existing top bracket), while the Senate bill would retain 7 brackets with a top bracket of 38.5%.
- Both plans would eliminate the alternative minimum tax (AMT).
- Under both plans, the standard deduction nearly doubles, while personal exemptions are eliminated and the child tax credit is enhanced. Under the House bill, a new family tax credit is created.
- The Senate bill would completely do away with state and local income tax deductions, while the House bill would make an exception for up to \$10,000 of real estate taxes.
- Under the House bill, the deduction for mortgage interest would be limited to interest on \$500,000 of acquisition indebtedness, while grandfathering existing mortgages larger than \$500,000. The Senate bill would retain the current \$1,000,000 limit.
- The Senate bill would disallow the deduction for interest on home equity indebtedness. The current deduction limit is for interest on up to \$100,000 of home equity indebtedness, although those in the AMT cannot get a tax benefit from home equity indebtedness under current law.



Estate Taxes

- The House bill would increase the estate tax exemption to \$10m per person (\$20m/couple) starting in 2018 and repeal the estate tax altogether in 2024, while the Senate version would instead double the estate tax exemption amount to \$11.2m per person (\$22.4m/couple), but would not eliminate it.

Corporate Taxes

- A reduction in the corporate income tax rate from 35% to 20% (which is effective starting 2018 under the House bill and starting 2019 under the Senate bill).

Both the House and the Senate bill still need to proceed to their respective floors for consideration. Once the House passes its bill and the Senate passes its bill, a conference committee will need to reconcile the bills. The resulting compromise bill will then need to be approved by both the House and Senate, prior to heading to the President for signature. Congress and the President are hoping to push the bill through before the end of the calendar year. We will provide additional commentary at the release of any future compromise bill.

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