UPDATE ON THE PROPOSED
TAX CUTS AND JOB ACT

By Chaney Black

The House and Senate have now each passed different versions of the Tax Cuts and Jobs Act. Lawmakers from both chambers will meet to attempt to work out their differences and emerge with a final bill that can be sent to President Trump by the end of the year. Below I have summarized some of the main differences between the House and Senate tax reform bills:

	CURRENT LAW	HOUSE	SENATE
INDIVIDUALS			
Number of Tax Brackets	Seven	Four	Seven
Standard Deduction (MFJ/Single)	$12,700 / $6,350	$24,000 / $12,200	$24,000 / $12,000
Personal Exemptions	$4,050 each	Eliminated	Eliminated
Child Tax Credit	$1,000	$1,600 + $300 for taxpayer & spouse	$2,000
State & Local Taxes	Deductible	Eliminated	Eliminated
Real Estate Taxes (if itemizing)	Deductible	$10,000 limit	$10,000 limit
Alternative Minimum Tax	28%	Eliminated	Retained w/ larger exemption
CORPORATIONS / BUSINESSES			
Top Tax Rate	35%	20%	20%
Depreciation-Expensing of Assets	Section 179 & 50% bonus	100% expensing until 2023	100% expensing until 2023
Like Kind Exchanges	Real & personal property	Real property only	Real property only
PASS THROUGH INCOME (S-CORPS & LLC'S)			
Top Tax Rate - Active Owner	39.60%	30% of income at 25%; 70% of income at 39.6%	Deduct 23% of income
Top Tax Rate - Passive Owner	39.60%	25%	Same as active
ESTATE TAXES			
Lifetime Exemption (Per Person)	$5,600,000	$11,200,000	$11,200,000
Lifetime Exemption (Married Couple)	$11,200,000	$22,400,000	$22,400,000
Elimination of Estate Tax	No	Yes	No
Step-Up in Basis	Yes	Yes	Yes

Although the Tax Cuts and Jobs Act is still subject to revision, below are some year-end tax planning strategies based on the current form of the bill:

- Assuming state and local income taxes will not be deductible in 2018, we would suggest pre-paying state income taxes before December 31, 2017 if you normally itemize deductions.
- Another strategy if you itemize deductions is to pre-pay real estate taxes before December 31, 2017 to the extent your home real estate taxes exceed $10,000.
- An increase in the standard deduction in 2018 means that if you have itemized in the past, you may not in the future. Therefore, accelerating charitable contributions in 2017 if you itemize is another suggestion.
- With pending lower tax rates for 2018, it would make sense to defer income until 2018 and accelerate deductions into 2017 with higher tax rates.

We will continue to track the status of the tax reform bill and provide our clients with the latest information about its progress.

If you have any questions or concerns, please give us a call!

Thanks,

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