2017 Tax Reform

Proposed Individual Income Tax Changes - Messina & Associates "Crayola" version

As of December 2, 2017 - Proposed Effective Date January 1, 2018 (unless noted otherwise)

House Ways and Means Committee-APPROVED BY HR NOV 16	Senate Finance Committee-APPROVED BY SENATE DEC 2
Individual Income Tax Rates (MFJ/MFS=married filing joint/filing separate; SS=Surviving Spouse; HoH=Head of Household; S=Single)	
	10%
12%* (phased out for AGI over $1M)	12% (begins at $19,050 MFJ/SS; $13,600 HoH; $9,525 MFS/S)
25% (begins at $90K MFJ/SS; $67.5K HoH;$45K MFS/S)	22% (begins at $77,400 MFJ/SS; $51,800 HoH; $38,700 MFS/S)
35% (begins at $260K MFJ/SS; $200K HoH/S; $130K MFS)	24% (begins at $140K MFJ; $70K HoH/ MFS/S)
39.6% (begin at $1M MFJ/SS; $500K HoH/MFS/S)	32% (begins at $320K MFJ/SS; $160K HoH/S/MFS)
* original bill has been revised - active business income pass through taxed at 11% (2018-2019); 10% (2020-2021); 9% thereafter on 1st $75K of income, but phased out at $150K of taxpayer income.	35% (begins at $400K MFJ/SS; $200K HoH/S/MFS) 38.5% (begins at $1M MFJ/SS; $500K HoH/S/MFS)
Alternative Minimum Tax would be repealed.	Alternative Minimum Tax would remain, with a higher exemption
Net Investment Income Tax of 3.8% retained.	Net Investment Income Tax of 3.8% retained.
Capital Gains-20% max tax rate.	Capital Gains-20% max tax rate.
Standard Deductions: $24,400 (MFJ/SS) $18,300 (Unmarried with 1 child) $12,200 (MFS/S)	Standard Deductions: $24,000 (MFJ/SS) $18,000 (Unmarried with 1 child) $12,000 (MFS/S)
Personal Exemptions is repealed.	Personal Exemptions is repealed.
Business income pass through from passive activity plus 30% of active business income taxed at 25% max. (personal services income not eligible for the above)	23% of business income taxed at personal level would be exempt from tax; phased out at certain income thresholds. (pers.service businesses earning over $250K not eligible for above)
Increased child tax credit from $1,000 to $1,600	Increased child tax credit from $1,000 to $2,000

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Tax credits repealed:	
Credit for individuals over 65 or who have retired on disability	
Credit for plug-in electric drive motor vehicles	
Education related tax changes:	
Deduction for educator expense would be eliminated.	Deduction for educator expense would increase from $250 to $500
American Opportunity Tax Credit (AOTC) max is $2,500	
1st $2,000 of higher education expenses @ 50%	
Next $2,000 of higher education expenses @25%	
AOTC eligible for 5 years of post-secondary education	
5th year credit is at 50% of max, with up to $500 refundable.	
Student loan interest not deductible	Student loan interest would remain deductible
Discharge of student loan interest would be non-taxable.	Discharge of student loan interest would be non-taxable as a result of death or disability.
Graduate student tuition waiver would be taxable	Graduate student tuition waiver would be non-taxable
Section 529 distributions for elementary and high school qualified expenses allowed, up to $10,000 per year.	
Itemized deduction changes:	
Mortgage interest deduction allowed for up to $500K in loans.	Mortgage interest deduction would be retained except for HELOC.
Mortgage interest deduction allowed only for 1 residence.	
Real Estate tax deduction capped at $10K.	Real Estate tax deduction capped at $10K.
Charitable deductions 50% limit increased to 60%.	Charitable deductions 50% limit increased to 60%.
Medical Expenses would not be allowed.	Medical expenses would be deductible above 7.5% of income.
State and local income taxes would not be allowed.	State and local income taxes would not be allowed.
Casualty losses would not be allowed.	Casualty losses would not be allowed (Pres declared disaster exc)
Alimony payments would not be deductible.	
Moving expenses would not be allowed, except for military.	Moving expenses would not be allowed.
Tax preparation fees would not be allowed.	Tax preparation fees would not be allowed.

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Employee business expenses would not be allowed.	Employee business expenses would not be allowed.
$250K/$500K gain on sale of principal residence excluded if used as residence 5 of the previous 8 years, and can only be used once every 5 years. Exclusion phased out at higher income levels.	$250K/$500K gain on sale of principal residence excluded if used as residence 5 of the previous 8 years.
Estate, Gift and Generation Skipping Transfer (GST) tax changes: Base exclusion amount doubled-increased to $11.2M for 2018. Estate & GST repealed after 2023, while still allowing step-up basis. Gift tax annual exclusion would increase to $15,000 Gift tax top rate would be 35% in 2024.	Estate, Gift and Generation Skipping Transfer (GST) tax changes: Base exclusion amount doubled-increased to $11.2M for 2018. Estate and GST would be retained .
	ACA individual penalty for not having health ins would be $0 for health coverage status for months beg after Dec 31, 2018.
	All individual provisons will expire at end of 2025.

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Corporate tax rate would be 20% (flat rate). Offshore income repatriated would be taxed at 14%	Corporate tax rate would be 20% (flat rate) eff 2019. Offshore income repatriated would be taxed at 14.5%
Personal service corporations tax rate would be 25%.	Personal service corporations tax rate would be 20%.
100% expensing cost of qualified property acquired after Sept 27, 2017 and before Jan 1, 2023. Property has to be taxpayers 1st use. Property used in a real property trade/business would not qualify.	100% expensing cost of qualified property acquired after Sept 27, 2017 and before Jan 1, 2023; reduced by 20% per year effective 2023. Property has to be taxpayers 1st use.
Section 179 small business expense limits (used equipment) increase from $500K per year to $5M.	Section 179 small business expense limits (used equipment) increase from $500K per year to $1M. Certain real property eligible.
	Depreciable life on real estate reduced to 25 years.
	Increase in annual depreciation limits for passenger automobiles.
Corporate dividend received deduction is reduced from 80% to 65% and from 70% to 50%.	Corporate dividend received deduction is reduced from 80% to 65% and from 70% to 50%.
Expanded use of cash method of accounting for business with gross receipts up to $25M.	Expanded use of cash method of accounting for business with gross receipts up to $15M.
UNICAP rules would not apply for businesses with less than $25M in gross receipts.	UNICAP rules would not apply for businesses with less than $15M in gross receipts.
% of completion accounting would not be required for	% of completion accounting would not be required for

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businesses with less than $25M in gross receipts.	businesses with less than $15M in gross receipts.
Business interest expense would be limited to 30% of businesses taxable income*. Excess interest could be carried forward 5 years. * = Excludes floor plan interest	Business interest expense would be limited to 30% of businesses taxable income*. Excess interest could be carried forward indefinitely. * = Excludes floor plan interest
Net Operating Losses carried back would be eliminated; carry forwards allowed to the extent of 90% of taxable income.	Net Operating Losses carried back would be eliminated; carry forwards allowed to the extent of 80% of taxable income. effective for tax years beginning after Dec 31, 2022.
Like kind exchanges would be allowed only for real estate.	Like kind exchanges would be allowed only for real estate.
Contributions to a businesses capital would be taxable to the extent the amount/FMV of the contribution exceeds the businesses market value of the stock or interest received.	
50% deduction for meals and entertainment would only be allowed for food and beverages.	50% deduction for meals and entertainment would only be allowed for food and beverages; no deduction for employer provided meals at the employer's business premise eff Jan 1, 2026.
No deduction allowed for any activity or facility considered to be entertainment; membership dues for clubs organized for business, pleasure, entertainment or social purposes.	No deduction allowed for any activity or facility considered to be entertainment; membership dues for clubs organized for business, pleasure, entertainment or social purpose.
No deduction would be allowed for any amenity provided to an employee that are primarily personal in nature unless taxed to the employee.	No deduction would be allowed for any amenity provided to an employee that are primarily personal in nature unless taxed to the employee.
Deduction for local lobbying expenses would be repealed	

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Deduction for domestic production activities would be repealed.	Deduction for domestic production activities would be repealed.
Employer social security tip credit would be allowed only for tips reported above the current minimum wage, rather than $5.15/hr. All restaurants must report tips of no less than 10% of gross receipts.	
	12.5% business credit equal to the amount of wages paid to employees on family and medical leave if rate paid is at least 50% of the employees normal pay.
Business credits repealed: Credit for clinical testing for certain drugs. Employer provided child care credit Rehabilitation credit Work opportunity credit New markets tax credit Credit for expenditures to provide access to disabled individuals.	
Many changes for energy credits also proposed.	Changes made to deductibility of R & D expenses eff Jan 1, 2026.