

TAX LAW HIGHLIGHTS

Tax Provision	Current Law	New Law
Individual Tax Rates	10, 15, 25, 28, 33, 35, 39.6%	10, 12, 22, 24, 32, 35, 37% Top rate would apply to income over \$600,000 for married filing jointly; \$500,000 for single
Standard Deduction	\$12,700 (\$6,350 if single; \$9,350 head-of-household); additional for elderly and blind (\$1,300 for married taxpayers, \$1,800 for single taxpayers)	\$24,000 (\$12,000 if single, \$18,000 head-of-household); additional for elderly and blind retained
Exemptions (Personal and Dependency)	\$4,050, subject to phase-out	Eliminated – folded into higher standard deduction
Total Itemized Deductions	Up to 80% of certain itemized deductions are phased out when Adjusted Gross Income exceeds \$313,800 (\$261,500 if single)	Phase-out repealed
Mortgage Interest Deduction	Interest on up to \$1 million of acquisition indebtedness plus interest on a maximum of \$100,000 of home equity loan deductible	Interest on up to \$750,000 of acquisition indebtedness (prior rules for debt existing prior to 12/15/17 grandfathered); home equity interest loan deduction repealed unless qualifying as acquisition indebtedness
State Income Tax, Sales Tax and Property Tax Deduction	No limitation on the greater of State Income Tax or Sales Tax; Property taxes deductible in full	Maximum deduction for State Income Tax, Sales Tax, and Property Tax combined limited to \$10,000 (\$5,000 for married filing separately); No limit on deduction for businesses
Medical Deduction	Limited to expenses in excess of 10% of adjusted gross income (7.5% for taxpayers aged 65 and over)	Limitation reduced to 7.5% of adjusted gross income for all taxpayers for 2017 and 2018
529 Savings Plans	Withdrawals for higher education tax free	Retains the current exclusion for withdrawals made for higher education and in addition, permits up to \$10,000 per year to be used for K-12 tuition including tuition paid to private and religious schools
AMT	Affects taxpayers with tax preference items and certain deductions: imposes a 28% tax rate after allowing for an exemption of \$84,500 for married taxpayers (\$54,300 all others); exemption phased out once income reaches \$160,900 (\$120,700 all others)	Exemption increased to \$109,400 for married taxpayers (\$70,300 all others); exemption phase-out begins at \$1 million for married taxpayers (\$500,000 all others)
Alimony	Deductible by payor; taxable to recipient	Not deductible by payor or taxable to recipient for agreements entered into <i>after</i> 12/31/2018
Child and Dependent Tax Credits	\$1,000 per qualifying child (refundable up to \$1,000) subject to phase-out when adjusted gross income exceeds \$110,000 for married taxpayers (\$75,000 single filers)	Increased to \$2,000 per qualifying child (refundable up to \$1,400) with a new \$500 credit per non-child dependents subject to a phase-out when adjusted gross income exceeds \$400,000 for married taxpayers (\$200,000 others)
Estate, Gift and GST Tax	Max rate 40% on estates/lifetime gifts over \$5,490,000 (indexed for inflation); step-up in basis of estate assets	Doubles exemption amount \$11.2 m; return to current law in 2025; retains step-up in basis

Pass-through Entities: S Corps, LLCs, Partnerships, LLPs and Sole Proprietorships	Taxed at individual owner's marginal tax rate up to 39.6%	Creates a 20% deduction of qualified business income limited to the greater of 50% of W-2 wages, or the sum of 25% of W-2 wages and 2.5% of business capital. The wage limit is inapplicable to taxpayers whose taxable income does not exceed \$157,500 (\$315,000 for joint filers) with a proportional deduction for taxable incomes exceeding these amounts but less than \$207,500 (\$415,000 for joint filers); The deduction is allowed for non- itemizers; Deduction applies to Trusts and estates owning business interests; The 20% deduction also applies to service-type businesses such as law, accounting, consulting, etc. (excluding engineering and architectural services) subject to the above limitations
Corporate Tax Rate	Maximum 35%	Maximum rate lowered to 21%
Net Operating Loss Deduction	Two year carryback, 20 year carryforward	Limited to 80% of taxable income; carryback option limited, <i>indefinite</i> carryforward subject to the percentage limitation
Corporate AMT	Maximum rate 20%	<i>Repealed</i>
Depreciation and immediate expensing of business assets	Allows immediate expensing of new property with certain limitations; accelerated depreciation on remaining balance	Enhanced 100% expensing of both new <i>and</i> <i>used</i> property placed in service after 9/17/17 and before 1/1/2023; increased automobile depreciation limits
Compensation	\$1 million cap on salaries for the CEO and the four most highly compensated employees; exempts commissions and performance- based compensation from limit	Eliminates exception for commissions and performance-based compensation and extends application of limit to company's CFO and also certain private companies not publically traded
Interest Deduction	Business-related interest fully deductible	Limits deduction to 30% of adjusted taxable income; small business exception