

The Major Changes in the New Republican Tax Code

2017/2018

Standard Deduction and Personal Exemptions

Individual tax provision

REVISE

Previous Law	New Law
<p>Single taxpayers may take a standard deduction of \$6,350, and joint filers may take a deduction of \$12,700.</p>	<p>It will expand the standard deduction for individuals to \$12,000 and to \$24,000 for joint filers.</p>
<p>Personal exemptions of \$4,050 are allowed for each family member.</p>	<p>Personal exemptions will be repealed.</p>

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State and Local Tax Deductions

Individual tax provision

REVISE

Previous Law	New Law
<p>Individuals can deduct the state and local taxes they pay, but the value is subject to certain limits for high earners.</p>	<p>It will Cap the deduction at \$10,000, which could include a <u>combination of property taxes</u> and either sales or income taxes including for mobile homes and boats.</p>

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Mortgage Interest Deduction

Individual tax provision

REVISE

Previous Law	New Law
<p>Deductible mortgage interest is capped at loans of \$1 million, includes Home Equity Loan or Line of Credit</p>	<p>It will limit deductible mortgage interest for newly purchased first or second homes to loans of \$750,000 or less, starting in 2018.</p> <p>Excludes Home Equity Loan and Line of Credit</p>

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Child Tax Credit

Individual tax provision

REVISE

Previous Law	New Law
<p data-bbox="216 637 942 746">Families may claim a \$1,000 credit for each child under 17. The credit begins phasing out for couples earning more than \$110,000.</p> <p data-bbox="216 790 935 860">The credit is at least partially refundable to qualified taxpayers who earned more than \$3,000.</p>	<p data-bbox="981 637 1591 707">It will double the credit to \$2,000 per child younger than 17 through 2025.</p> <p data-bbox="981 751 1688 821">It will raise the phase-out threshold to \$400,000 and cap the refundable portion at \$1,400 in 2018.</p>

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Medical Expense Deduction

Individual tax provision

REVISE

Previous Law	New Law
<p>Qualified medical expenses that exceed 10 percent of the taxpayer's adjusted gross income are deductible.</p>	<p>It will reduce the threshold to 7.5 percent of adjusted gross income for 2017 and 2018.</p>

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Pass-Through Business Income

Individual tax provision

REVISE

Previous Law	New Law
<p>Pass-through businesses pass their income to their owners, who pay tax at their individual rates.</p>	<p>It will allow pass-through owners to deduct 20 percent from their business income, subject to limits that will begin at \$315,000 for married couples, or half that for single taxpayers.</p>

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Corporate Tax Cut

Business tax provision

REVISE

Previous Law	New Law
The current corporate rate is 35 percent .	It will lower the corporate rate to 21 percent in 2018 .

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Corporate Tax Cut

Business tax provision

REPEAL

Previous Law	New Law
<p>It applies a 20 percent rate as part of a parallel tax system that limits tax benefits to prevent large-scale tax avoidance. Companies must calculate their ordinary tax and AMT tax, and pay whichever is higher.</p>	<p>It will repeal the corporate alternative minimum tax.</p>

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Full and Immediate Expensing

Business tax provision

REVISE

Previous Law	New Law
<p>Businesses must take depreciation, spreading the recognition of their equipment costs for tax purposes over several years.</p>	<p>It will allow companies to fully and immediately deduct the cost of certain equipment purchased after Sept. 27, 2017 and before Jan. 1, 2023.</p> <p>After that, the percentage of cost that could be immediately deducted will gradually phase down.</p>

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Obama Individual Mandate

Individual tax provision

REVISE

Previous Law

Individuals who fail to buy health insurance must pay **penalties of \$695** (the penalty is higher for families), or **2.5 percent** of their household income—whichever is higher, but capped at the national average cost of the most basic, low-premium, high-deductible plan.

New Law

It will **repeal** the Affordable Care Act's individual mandate.

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Obama Individual Mandate

Individual tax provision

REVISE

Previous Law

Heirs must pay **40 percent** in tax on estates worth more than **\$5.49 million** for individuals and **\$10.98 million** for couples.

New Law

It will **double the thresholds** so the tax applies to fewer estates. The higher thresholds will **sunset in 2026**.

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Estate Tax

Individual tax provision

REVISE

Previous Law	New Law
<p>Heirs must pay 40 percent in tax on estates worth more than \$5.49 million for individuals and \$10.98 million for couples.</p>	<p>It will double the thresholds so the tax applies to fewer estates. The higher thresholds will sunset in 2026.</p>