



Tax Cuts and Jobs Act (H.R.1) | Key Provisions

INDIVIDUALS

- Individual tax rates are broken into seven brackets – 10 percent, 12 percent, 22 percent, 24 percent, 32 percent, 35 percent and 37 percent. The highest bracket will apply to individual incomes above \$500,000; married filing joint incomes above \$600,000.
- Capital gains rates remain at current levels
- Standard deduction raised to \$24,000 for married couples, \$18,000 for head-of-household and \$12,000 for individuals
- Elimination of personal exemptions
- Child Tax Credit increased from \$1,000 to \$2,000, \$1,400 of which is refundable. Also adds a \$500 non-refundable credit for qualifying dependents that are not qualifying children.
- Individuals who itemize deductions can continue to write-off up to \$10,000 of state and local taxes (property, income and sales), home mortgage interest (limited to indebtedness up to \$750,000 on new mortgages) and charitable contributions. The deduction for medical expenses reverts to the 7.5 percent of AGI threshold for tax years 2017 and 2018; 10 percent of AGI for tax years thereafter.
- Expanded use of 529 plans for elementary and secondary school tuition
- Estate tax exemption doubled to \$10 million, indexed for inflation, for tax years beginning after 2017
- Increased exemption and exemption phaseout threshold for alternative minimum tax (AMT), both indexed for inflation. Exemption increases to \$70,300 for individual taxpayers (\$500,000 exemption phaseout threshold); \$109,400 exemption for married filing joint (\$1,000,000 exemption phaseout threshold).
- Repeal of individual insurance mandate under the Affordable Care Act

BUSINESSES

- Corporate tax rate reduced to flat 21 percent for tax years beginning January 1, 2018
- Repeal of corporate alternative minimum tax (AMT)
- Business income from pass-through entities and sole proprietorships eligible for 20 percent deduction, subject to W-2 wage limitation for individual taxpayers with taxable income of \$157,500 and above; \$315,000 for married filing joint. Additional limitations apply to specified service trades.
- Increased capital expensing provisions – 100 percent bonus depreciation on new and used assets placed in service through 2022, phased down at a reduction of 20% per year through 2026. Section 179 expensing increased to \$1,000,000 of qualifying acquisitions, phase out threshold increased to \$2,500,000.
- Research and development tax credit preserved while eliminating many of the other special deductions and credits
- Interest expense deduction limited, however, exceptions apply for small businesses
- Like kind exchange eligibility limited to real estate transactions for exchanges occurring after December 31, 2017.
- International territorial tax system adopted with a participation exemption on dividends received from foreign subsidiaries
- One-time deemed repatriation tax on accumulated foreign earnings; 15.5 percent rate on earnings held in cash or cash equivalents, 8 percent on all others

For the full text of the conference report [click here](#).