

# Bloomberg Government

## What's in the Conference Report on the Tax Cuts and Jobs Act

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# CORPORATE AND INDIVIDUAL RATES WOULD BE REDUCED

Rule	Current law	Tax Cuts and Jobs Act conference report
<b>Corporate rate</b>	35 percent top rate	21 percent flat rate
<b>Passthroughs</b>	39.6 percent top rate	20 percent deduction for income of certain types of passthroughs. Expires after 2025
<b>Individual brackets and rates</b>	7 brackets: 10, 15, 25, 28, 33, 35, 39.6 percent	7 brackets: 10, 12, 22, 24, 32, 35, 37 percent. Expires after 2025
<b>Estate tax</b>	Applies to amounts greater than \$5.49M single, \$10.98M couple	Double the exclusion through 2025
<b>Alternative minimum tax</b>	Separate tax calculation on some returns	Repeal for corporations; larger exemption and phaseout threshold for individuals until 2026
<b>Carried interest</b>	Capital gains rate on certain investment manager income	Assets would have to be held for three years
<b>Inflation adjustment</b>	Traditional consumer price index (CPI-U)	Chained CPI (C-CPI-U)

# INDIVIDUAL DEDUCTIONS & CREDITS WOULD CHANGE

Rule	Current law	Tax Cuts and Jobs Act conference report
<b>Standard deduction</b>	\$6,350 for individuals; \$12,700 for joint filers (2017)	\$12,000 for individuals; \$24,000 for joint filers*; Expires after 2025
<b>Child tax credit</b>	\$1,000 per child	<ul style="list-style-type: none"> <li>• \$2,000 per child (\$1,400 refundable)</li> <li>• \$500 for nonchild dependents</li> <li>• Expands eligibility by increasing income limit</li> <li>• Changes expire after 2025</li> </ul>
<b>State and local tax</b>	Itemized deduction for taxes paid	\$10,000 cap for individuals until 2026
<b>Mortgage interest</b>	Deduct as much as \$1 million in mortgage principal	Retain current cap for existing mortgages; deduct as much as \$750,000 for future home purchases. Expires after 2025
<b>Charitable giving</b>	Deduct as much as 50 percent of AGI	<ul style="list-style-type: none"> <li>• Deduct as much as 60 percent of AGI</li> <li>• End deduction for college athletic seating</li> </ul>
<b>Student loan interest</b>	Deduct as much as \$2,500**, phased out for higher incomes	Retained

\*Would consolidate standard deduction and personal exemption; \*\*Above-the-line deduction available to filers who don't itemize deductions

Note: AGI – adjusted gross income

Sources: [BGOV Bill Page for H.R. 1](#); [Conference Report Joint Explanatory Statement](#)

# THE FATE OF OTHER INDIVIDUAL TAX PROVISIONS

Rule	Tax Cuts and Jobs Act conference report
<b>Individual health insurance mandate penalties</b>	Repeal in 2019
<b>Adoption credit</b>	Retain
<b>Graduate student tuition waivers</b>	Retain exclusion
<b>Personal casualty loss deduction</b>	Allow only for presidentially declared major disasters through 2025; expand for 2016 and 2017 disasters
<b>Medical expense deduction</b>	Expand for 2018 and 2019
<b>529 education savings accounts</b>	Use \$10,000 annually for K-12 public and private schools and homeschooling
<b>Electric vehicle credit</b>	Retain
<b>Alimony deduction</b>	Eliminate for divorces after 2018
<b>Moving expense deduction</b>	Retain only for armed forces through 2025
<b>Employer-provided moving assistance exclusion</b>	Retain only for armed forces through 2025
<b>Home equity indebtedness deduction</b>	Suspend through 2025
<b>Exclusion of employer-paid bicycle expenses</b>	Suspend through 2025

Note: AGI – Adjusted Gross Income

Sources: [BGOV Bill Page for H.R. 1](#); [Conference Report Joint Explanatory Statement](#)

# BUSINESS PROVISIONS INCLUDE EXPENSING RULES

Rule	Current law	Tax Cuts and Jobs Act conference report
<b>Expensing</b>	Depreciated over time	Immediate 100 percent expensing before Jan. 1, 2023; gradual drawdown through 2026. Expanded Section 179 for small businesses
<b>Business interest</b>	Deductible	Limit to 30 percent of adjusted taxable income for most businesses with average gross receipts greater than \$25 million. Applied against less income after 2021*
<b>Net operating loss</b>	Deductions that exceed gross income can be carried back two years and forward 20 years	Carryforward limited to 80 percent of eligible income. Indefinite carry-forward; carry-back only for some farms and insurance
<b>Bonds</b>	Interest on state and local bonds isn't taxable	<ul style="list-style-type: none"> <li>• End exclusion for advance refunding bonds</li> <li>• Retain for private activity bonds</li> <li>• Bar issuance of new tax credit bonds</li> </ul>

Note: \*Adjusted taxable income is earnings before interest, taxes, depreciation, and amortization (EBITDA) through 2021, then earnings before interest and taxes (EBIT)  
Sources: [BGOV Bill Page for H.R. 1](#); [Conference Report Joint Explanatory Statement](#)

# NEW TREATMENT OF MULTINATIONALS' INCOME

Rule	Current law	Tax Cuts and Jobs Act conference report
<b>Income earned abroad by U.S. businesses</b>	Subject to corporate income tax, less credits for foreign taxes paid	Exemption for dividends paid to U.S. shareholders. New taxes on: <ul style="list-style-type: none"> <li>• Global intangible low-taxed income</li> <li>• Foreign-derived intangible income</li> <li>• Deductible payments to related parties (base erosion and anti-abuse tax)</li> </ul>
<b>Repatriation</b>	No special rate	15.5 percent repatriation rate for cash profits held offshore; 8 percent for non-cash
<b>Interest expense</b>	Deductible	Deductible (proposed limit not adopted)

# THE FATE OF OTHER BUSINESS PROVISIONS

Rule	Tax Cuts and Jobs Act conference report
<b>Orphan drug credit</b>	Reduce to 25 percent of expenses from 50 percent
<b>Domestic production deduction</b>	Eliminate in 2018 for non-corporate businesses, in 2019 for C corporations
<b>Entertainment, employee fringe benefits deductions</b>	Eliminate for most expenses; retain for food and beverages until 2026
<b>Employee transport benefits deduction</b>	Eliminate
<b>Employer-provided child care credit</b>	Retain
<b>Low income housing credit</b>	Retain
<b>Structure rehab credit</b>	Retain for historic structures
<b>Work opportunity tax credit</b>	Retain
<b>New markets tax credit</b>	Retain
<b>Disabled access credit</b>	Retain
<b>Local lobbying expense deduction</b>	Eliminate
<b>Unused business credits deduction</b>	Retain
<b>FDIC fee deduction</b>	Limit
<b>Alcohol excise tax</b>	Reduce for certain producers in 2018 and 2019

Note: FDIC – Federal Deposit Insurance Corporation

Sources: [BGOV Bill Page for H.R. 1](#); [Conference Report Joint Explanatory Statement](#)

# ABOUT THE ANALYST



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