

Tax Reform Changes Individuals

Tax Item	Current Law	House Bill (After November 10th Mark Up)	Senate Proposal (As Released on November 9th)
Tax Brackets	7 tax brackets: 10% 15% 25% 28% 33% 35% 39.6%	4 explicit Tax Brackets and a hidden 5th bracket: 12% 25% 35% 39.6% 45.6%** ***"Bubble tax" of an additional 6% on high income earners, designed to claw back the benefits received by the income taxed under the 12% bracket. Essentially brings up the effective tax rate.	7 Tax Brackets: 10%, 12%, 22.5%, 25%, 32.5%, 35%, and 38.5%
Capital Gains	3 bracket system for capital gains: 0% 15% 20%	Retains present 3 bracket system for capital gains: 0% 15% 20%	Retains present 3 bracket system for capital gains: 0% 15% 20%
Standard Deduction	Married Filing Jointly: \$12,700 Head of Household: \$9,350 Single or Married Filing Separately: \$6,350	Married Filing Jointly: \$24,400 Head of Household or Single Filer with Qualifying Child: \$18,300 All other single filers: \$12,200	Married Filing Jointly: \$24,000 Head of Household: \$18,000 All other single filers: \$12,000
Personal Exemption	\$4,050 per individual or dependent. The exemption benefit is then phased out at certain income levels.	Repealed.	Repealed.
Alternative Minimum Tax (AMT)	Various adjustments are made to taxable income to determine a "minimum tax" payable by individual. The taxpayer then pays the higher of the regular tax or the alternative minimum tax. Individuals with large state income tax deductions were commonly subject to the AMT.	AMT is repealed.	AMT is repealed.

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Child & Dependent Benefits			
Child and Family Tax Credit	<p>\$1,000 refundable credit for each qualifying child under age 17.</p> <p>Phase Out: Credit is phased out \$75,000 of income for single filers and \$110,00 for joint filers.</p>	<p>\$1,600 for all child-dependents. \$300 per non-child dependent.</p> <p>Up to \$1,000 of the credit is refundable.</p> <p>Credit is phased out at \$75,000 for single filers and \$110,000 for joint filers.</p>	<p>\$1,650 per qualifying child, with up to \$1,000 of that being refundable.</p> <p>\$500 nonrefundable credit for non-child dependents (such as retired parents).</p> <p>Credit is phased out at \$500,000 for single filers and \$1 MM for joint filers.</p>
Education Benefits			
Simplified Credit	<p>There are three different credits, all with their own separate rules and requirements:</p> <p>American Opportunity Tax Credit (AOTC) Hope Scholarship Credit (HSC) Lifetime Learning Credit (LLC)</p>	<p>All credits are consolidated into an "Enhanced American Opportunity Tax Credit".</p> <p>100% tax credit for first \$2,000 of higher education expenses plus 25% of next \$2,000.</p> <p>Limited to 5 years of post-secondary education.</p>	No mention.
Student Loan interest Deduction	Individuals may deduct up to \$2,500 of student	Repealed.	No mention.
Itemized Deductions			
Mortgage Deductions	<p>Interest on the first \$1 MM from mortgages incurred in acquiring, constructing, or substantially improving a qualified residence of taxpayer is deductible.</p> <p>Interest on the first \$100,000 of home equity loans, not used to acquire or improve property, is deductible.</p>	<p>Acquisition or home equity loans are deductible, with the following limitations, based on when the mortgage was in existence:</p> <p>Prior to 11/2/2017 – \$1,000,000 of debt</p> <p>New Mortgages - \$500,000 of debt</p>	Acquisition debt deductible up to first \$1,000,000 of debt. Home equity loans will be nondeductible.

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State and Local Tax Deduction	<p>Individuals can deduct all state and local property taxes. Individual can then elect to take a deduction for state and local sales taxes or a deduction for state and local income taxes.</p> <p>The deduction is not deductible for AMT purposes.</p>	<p>State and Local income taxes are nondeductible.</p> <p>State and local property taxes are deductible, but limited to \$10,000 in total.</p>	<p>Repealed. Only state and local taxes paid in a trade or business are deductible.</p>
Limitation on Itemized Deductions	<p>Itemized deductions are reduced for lesser of 3% of AGI above threshold or 80% of amount of itemized deductions otherwise allowable for tax year.</p> <p>For 2017, the phase out began for single filers above \$261,500 in gross income or for joint filers above \$313,800 in gross income.</p>	<p>Repealed. No overall limitation.</p>	<p>Repealed. No overall limitation.</p>
Charitable Contributions	<p>Charitable contributions of up to 50% of individuals AGI are deductible.</p>	<p>50% AGI limitation is raised to 60%. (i.e. you may deduct donations equaling up to 60% of your income)</p>	<p>50% AGI limitation is raised to 60%. (i.e. you may deduct donations equaling up to 60% of your income)</p>
Repealed Itemized Deductions		<ul style="list-style-type: none"> - Personal Casualty & Theft Loss - Tax Preparation Expenses - Alimony payments - Moving Expenses - Medical expense - Employee Expenses 	<ul style="list-style-type: none"> - Personal Casualty & Theft Loss - Tax Preparation Expenses - Moving expense deductions - All Miscellaneous itemized subject to 2% under current law, including: <ul style="list-style-type: none"> - unreimbursed employee expense - expenses for production or collection of income - Repayments of income received under claim of right - repayments of social security benefits - share of deductible investment expenses from pass-through entities

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Exclusions from Income			
Gain from Sale of Principal Residence	Up to \$250,000 for single taxpayers or \$500,000 for married filing jointly taxpayer of gain from sale of principal residence is excludable from income. Taxpayer would have to live in home for 3 of the last 5 years	Up to \$250,000 for single taxpayers or \$500,000 for married filing jointly taxpayer of gain from sale of principal residence is excludable from income. Taxpayer would have to live in home for 5 of the last 8 years.	Up to \$250,000 for single taxpayers or \$500,000 for married filing jointly taxpayer of gain from sale of principal residence is excludable from income. Taxpayer would have to live in home for 5 of the last 8 years.
Repealed exclusions:		The following are repealed: - Employee achievement awards - Dependent care assistance programs - Qualified moving expense reimbursements - Adoption assistance programs	The following are repealed: - Qualified bicycle commuting reimbursements - Qualified moving expense reimbursements
Estate Tax and Other Miscellaneous Items			
Gift and Estate Tax Exemption Amount	An individual may gift or bequest pp to \$5.49 MM or property to non-spousal individuals. If married, then this exemption amount is transferable to the spouse and the surviving spouse may gift or bequest up to \$10.98 MM over their lifetime.	Exemption is doubled to \$10 MM per person or \$20 MM per married couple beginning in 2018. Estate tax will be repealed in 2023, but the stepped-up basis in estate property would remain. Gift tax remains with doubled exemption above.	Exemption is raised to \$10 MM per individual or \$20 MM per married couple Gift tax remains with doubled exemption above.
ACA Individual Mandate	The Affordable Care Act individual mandate requires individuals to have health insurance which equates to minimum essential coverage or face a tax penalty.	No change.	Language to be included to repeal, but exact language not yet released. (11/15/17)