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Certified Public Accountants and Consultants

## 2017 Tax Reform Updates

The U.S. Senate voted early Saturday morning to pass a sweeping tax overhaul worth roughly \$1.4 trillion. Saturday's vote means the Senate and House have passed similar tax reform plans, but negotiators from both chambers will start meeting today to agree on a single piece of legislation that both chambers must approve before it is sent to the president for his signature.

The bill would slash the corporate tax rate, offer more modest cuts for families and individuals, and eliminate several popular deductions. Here are some items to note according to articles from [FOX News](#), [CNN.com](#) and [The Hill](#):

### Fox News:

- The Senate bill does away with federal deductions for state and local income and sales taxes, but allows deductions of up to \$10,000 in local property taxes.
- Like the House bill, the Senate bill nearly doubles the standard deduction level to \$12,000 for individuals (up from \$6,350) and \$24,000 for couples (up from \$12,700).
- The Senate bill retains the current limit for the home mortgage interest deduction to interest paid on the first \$1 million of the loan (the House bill reduces the limit to \$500,000 for new home purchases). The Senate version also preserves the deduction for medical expenses not covered by insurance (the House bill does not), but ends deductions for moving expenses and tax preparation.
- The Senate bill allows the deduction of medical expenses not covered by insurance, because the bill also repeals ObamaCare's individual mandate (the House bill does not). If ObamaCare's mandate is repealed, thousands of people are expected to drop their health insurance, raising the cost for those who decide to keep it.
- The Senate and House bills both eliminate the \$4,050 personal tax exemption.
- The Senate bill keeps seven tax brackets, but reduces them to 10, 12, 22, 24, 32, 35 and 38.5 percent (the current brackets are 10, 15, 25, 28, 33, 35, and 39.6 percent). The House measure condenses seven brackets to four: 12, 25, 35 and 39.6 percent.
- For small businesses, the Senate bill allows owners of so-called "pass-through" businesses (that is, businesses that aren't incorporated) to deduct 23 percent of their earnings, and then pay at their personal income tax rate on the remainder.
- Like the House bill, the Senate bill cuts the current 35 percent rate to 20 percent, but the Senate bill calls for a one-year delay in dropping the rate.
- President Trump and congressional Republicans have vowed to make tax reform law before the end of the year. If that happens, most of the provisions would come into force on January 1, 2018.
- The changes will not have any impact on your taxes for 2017.

### CNN.com:

- The Senate bill enacts its 20% corporate rate in 2019. The House bill enacts its 20% corporate rate right away in 2018.
- The House bill repealed the alternative minimum tax. The Senate bill maintained it.

### The Hill:

- The House version of the bill calls for the estate tax to be completely eliminated by 2024. Before the tax is fully repealed, the estate tax exemption will double. In the Senate version, the estate tax would not be repealed, but would allow up to \$11 million to be passed on tax-free for individuals, double the current exemption.

The House will vote on a motion to go to conference on the tax bills tonight. The Senate is expected to vote on a similar measure soon after.

For questions or more information on how the potential tax reform may affect you, please contact our [CG Tax Services Team](#).

### Sources:

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