

Senate vs House Tax Proposals - Summary & Chart

The Senate Finance Committee's version of a tax bill was released yesterday. The Senate bill is similar to the House bill in some respects and very different in others. The Republican lead congress is working hard to get a compromise bill passed and signed by the President before the end of the year. However, many hurdles remain. The biggest hurdle to the Senate bill is meeting the \$1.5 Trillion – 10-year deficit cap allowed by the budget reconciliation process.

As is the case with any major legislative process, there are many groups with a vested interest in seeing one result or the other. The Hill reported that there were "more than 500 lobbying registrations" listing work on tax related matters filed in 2017. That was up from 264 in 2016. The real estate lobby seems to have had the best luck keeping certain valuable provisions excluded from the draft legislation. The repeal of like-kind exchanges and carried interest were not included in either bill and many valuable depreciation related provisions were included.

The Senate modified the Tax Cuts and Jobs Act with a vote of 51-49 on December. The article has been updated to reflect these changes.

	<u>House</u>	<u>Senate</u>
--	--------------	---------------

Individuals

The Good:

Individual Rates	4 – 12%, 25%, 35%, and 39.6%	7 – 10% to 38.5%
Alternative Minimum Tax (AMT)	Repealed	Retained
Increase Child Tax Credit	Increased to \$1,600	Increased to \$2,000
Standard Deduction	\$12,000 Single \ \$24,000 Married	\$12,000 Single \ \$24,000 Married
Estate Tax	Repealed Beginning 2024	Increase Exemption to 11M Per Person

The Bad:

Personal Exemption	Repealed	Repealed
State Income Tax Deduction	Repealed	Repealed
Property Tax Deduction	Limited to \$10,000	Limited to \$10,000
Mortgage Interest Debt Limit	\$500,000	\$1,000,000
Alimony Payments	Repealed	No Change
Personal Casualty loss deductions	Repealed	Allowed in federal disaster areas
Medical Expense Deductions	Repealed	Lowered back to 7.5%

Business:

Pass Through Income Tax Rate - Passive	25% on 100%	23% Deduction
Pass Through Income Tax Rate - Active	Safe Harbor Tax Rate - 25% on 30%	23% Deduction
Pass Through Income – Personal Services	No preferential tax rate	No preferential tax rate
Corporate Rate	20% Starting 2018	20% Starting 2019
Immediate Expensing	Increase from \$500K to \$5M	Increased from \$500k to \$1M
Bonus Depreciation	100% through 2022 & incl's used equipment	100% through 2022
Depreciable lives	No Reference	25 and 10 years for real estate and Qualified improvements, respectively
Cash Method of Accounting	Increase from \$5M to \$25M	Increase from \$5M to \$15M
Interest Expense Limitation	30% of Income	30% of Income
Domestic Production Deduction	Repealed	Repealed
IC-Disc	Effectively repealed for Corps \ Available for Pass Through's	Repeal removed