



Comparison of Key Provisions of Senate and House Tax Reform Proposals

Provisions are generally effective 1/1/2018 unless otherwise noted.

Business Changes

	Senate	House
Corporate Tax Rates	Effective 1/1/19, a permanent flat 20% rate; Cut dividends-received deduction (80% to 65%); Repeal special rate for personal service corps	Flat 20% rate (1/1/18) permanent; Cut dividends-received deduction (80% to 65%); Rate of 25% on personal service corps
Corporate AMT	Preserved	Repeal Corporate AMT
Pass-through Rates	Individual can deduct 23% of domestic qualified pass-through business income; Deduction is limited to 50% of W-2 wages for taxable income exceeding \$500K (joint) /\$250K (all others); Expires 12/31/25	25% rate for certain income of pass-throughs; Taxpayer may elect to apply 25% rate to 30% of business income or prove portion tied to size of the partner's capital investment Also, a reduced 9% rate for first \$75K (married)/\$56K (all others) of small business income
Real Estate Investment Trusts (REITs)	Dividends from a REIT are qualified items of income for purposes of the 23% deduction at the individual level	Maximum 25% rate for dividends not otherwise eligible for lower capital gains or qualified dividend rate
Disallow Active Pass-through Losses	Disallow using losses from an active business to offset wages or portfolio income. Applies to taxpayers with taxable income \$500K+ (joint)/\$250K (all others); Netting of income & losses from active businesses is still allowed. Expires 12/31/25	No mention

Expensing - Bonus depreciation	Effective 9/28/17, 100% bonus depreciation for certain capital investments (not including used property) gradually decreasing over time; Exception for regulated public utilities and real property business who elect to retain full interest deduction); Expires fully in 12/31/27	Effective 9/28/17, 100% bonus depreciation for certain capital assets + used property; Exception for regulated public utilities or real property business; Expires 12/31/22
Expensing - Section 179	Increases from \$500K to \$1 mil; phaseout threshold increased \$2.5 million; qualified property expanded to include roofs, HVAC, fire protection and alarms, and security systems; Expires 12/31/22	Increases from \$500K to \$5mil; phaseout threshold increased to \$20 million; qualified property expanded to energy efficient HVAC; Expires 12/31/22
Limit to Interest Expense Deduction	Deduction allowed up to 30% of earnings before interest and taxes (EBIT); beginning in 2018; no grandfathering of existing debt; exception if gross receipts \$15mil or less; Indefinite carryforward; Interest limit computed without regard to 23% pass-through deduction The limit does not apply to real property businesses and brokerages at the election of the taxpayer	Deduction allowed up to 30% of pretax, pre-depreciation earnings (EBITDA); beginning in 2018; no grandfathering of existing debt; if gross receipts \$25mil or less, no limit; 5 year carryforward; Exception for public utilities, real property businesses, new floor plan financing; Limit applies at partnership level
NOLs (Net Operating Losses)	NOLs used only to reduce net taxable income by 90% (80% in 2024); Repeal 2 year carryback; Special 2 year carryback in case of certain losses; No carryforward limit	NOLs used only to reduce net taxable income by 90%; Repeal 2 year carryback; Special 1 year carryback in case of casualty, disaster; Carryforward + interest
Carried Interest	3 year holding period (up from 1 year) for long term cap gain treatment; Assets held fewer than 3 years are taxed as short-term capital gains	3 year holding period (up from 1 year) for long term cap gain treatment; Assets held fewer than 3 years are taxed as short-term capital gains
Like-kind Exchanges	Keep Sec. 1031 for only real property	Keep Sec. 1031 for only real property

Paid-in capital	No mention	Contributions of money or property to a corporation or partnership in exchange for an ownership interest are taxable to the extent they are not value-for-value (IRC sec. 118)
Private Activity Bonds (PABs)	Repeal exclusion from gross income for advance refunding bonds	Effective repeal - no federal tax interest exclusion for future issuances of PABs
New Markets Tax Credit	No mention; Preserve '18, '19	Terminate '18 and '19 allocations; 7-year phase-out for credits allocation
Historic Rehab Credit	Repeal 10% credit. 20% credit claimed ratably over a 5-year period.	Repeal with a transition
Low-income Housing Credit	Preserve	No mention

Individual Changes

	Senate	House
Individual Rates	7 brackets (10%, 12%, 22%, 24%, 32%, 35%, and 38.5%); top bracket on \$1mil+ (joint)/\$500K+ (all others); Expires 12/31/25	Reduce 7 brackets to 4 (12%, 25%, 35%, 39.6%); top bracket on \$1mil+ (joint)/\$500K+ (all others)
Standard deduction	Enhance standard deduction; Preserve additional standard deduction; Repeal personal exemptions; \$12K individuals, \$24K married filing joint, \$18K single parents; Expires 12/31/25	Enhance standard deduction; Repeal additional standard deduction and personal exemptions; \$12K individuals, \$24K married filing joint
AMT	Partial repeal of Individual AMT; Expires 12/31/25	Repeal Individual AMT

Capital gains & dividends, plus the 3.8% net investment income (NII) tax	Index breakpoints for 15% and 20% rates using chained CPI; Preserve NII; Expires 12/31/25	No change to rates; Long-term capital gain and qualified dividend rate stays at 15% (20% for \$479K+); Preserve NII
Estate tax and GST tax	Double exclusion from \$5mil to \$10mil + inflation; Expires 12/31/25	Double exclusion from \$5mil to \$10mil; full repeal of both beginning in 2025
State and local tax deductions (SALT)	Individuals may itemize no more than \$10K of property taxes; Deduction preserved for taxes paid for or accrued in a trade or business (i.e., still deductible on Schedule C, E, or F);	Individuals may itemize no more than \$10K of property taxes; Deduction preserved for taxes paid for or accrued in a trade or business (i.e., still deductible on Schedule C, E, or F);