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Comparing Key Tax Reform Elements: Tax Cuts and Jobs Act

Legislation has been proposed in the House and the Senate that would substantially modify the federal tax system. On November 16, 2017, the House passed the Tax Cuts and Jobs Act (H.R. 1). The Senate passed its own version of the Tax Cuts and Jobs Act on December 2, 2017. This In Focus compares selected key elements of the House and Senate proposals. This comparison is not intended to be complete or comprehensive; such a comparison is beyond the scope of this product.

Table I. Comparison of Major Provisions in the Tax Cuts and Jobs Act to Current Law

Tax Provision	Current Law (2017)	House (H.R. 1)	Senate (H.R. 1, as amended)
Individual Provisions			
Individual tax rates	7 brackets: 10% 15% 25% 28% 33% 35% 39.6%.	4 brackets: 12% 25% 35% 39.6%. 12% bracket phased out at higher income levels.	7 brackets: 10% 12% 22% 24% 32% 35% 38.5%. (Expires 1/1/2026.)
Personal exemptions and standard deduction	Personal exemption: \$4,050 for taxpayer, spouse, and dependents. Standard deduction: \$6,350 (single) and \$12,700 (married).	Personal exemptions repealed. Standard deduction: \$12,200 (single) and \$24,400 (married) in 2018. \$300 family flexibility credit for taxpayer and spouse through 2022.	Personal exemptions repealed. Standard deduction: \$12,000 (single) and \$24,000 (married) in 2018. (Expires 1/1/2026.)
Inflation adjustment	Consumer Price Index (CPI).	Chained CPI.	Chained CPI.
Child-related provisions/personal credits	Refundable child tax credit of \$1,000.	\$1,600 credit per child (up to \$1,000 refundable). Phase-out thresholds increased. \$300 non-refundable credit for non-child dependents. New identification requirements for claiming credits.	\$2,000 credit per child (up to \$1,000 refundable). Phase-out thresholds increased. \$500 non-refundable credit for non-child dependents. Social Security number requirement for refundable credits. (Expires 1/1/2026.)
Itemized and other deductions	Various itemized and "above-the-line" deductions. Mortgage interest deductible on up to \$1 million loan, plus \$100,000 for home equity loan.	Repeal state and local income taxes, medical expenses, tax preparation expenses, personal casualty losses (with some exceptions), expenses attributable to being an employee, moving expenses (military exception), educator expenses, alimony payments. Modified deductions include property taxes limited to \$10,000; mortgage interest on up to \$500,000 on new loans and for principal residence; alimony not deductible or taxable.	Repeal state and local income taxes, tax preparation expenses, non-disaster personal casualty losses, moving expenses (military exception), certain miscellaneous itemized deductions. Modified deductions include property taxes limited to \$10,000; no deduction for mortgage interest on home equity loans. (Expires 1/1/2026.)
Education incentives	Various credits and deductions for education-related expenses.	Reform the American Opportunity Tax Credit and repeal other higher-education incentives.	Generally not addressed (some smaller modifications).
Other individual tax expenditures	Various exclusions, credits, and other individual provisions.	Repeal exclusion for moving expenses (military exception), other nonrefundable credits (excluding adoption credit). Modify exclusion of gain from sale of principal residence.	Repeal exclusion for moving expenses (military exception). Modify exclusion of gain from sale of principal residence. (Expires 1/1/2026.)
Individual AMT	Alternative Minimum Tax (AMT).	Repealed.	Increase exemption amount and phaseout threshold. (Expires 1/1/2026.)
Estate tax	Tax above exemption (\$5.49 million, 2017).	Double exemption amount. Repeal after 2024 but retain step-up in basis.	Double exemption amount. (Expires 1/1/2026.)

Tax Provision	Current Law (2017)	House (H.R. 1)	Senate (H.R. 1, as amended)
Business Provisions			
Corporate tax rate	Maximum rate of 35%.	Flat 20% rate in 2018. 25% flat rate for personal service corporations.	Flat 20% rate in 2019.
Pass-through businesses tax rate	Taxed according to ordinary individual rates up to 39.6%.	Maximum 25% tax rate for passive business investors. For active owners, 30% of income subject to 25% rate and 70% of income subject to ordinary individual rates. Specified service pass-through income taxed at ordinary rates (with exceptions). Preferential 9% tax rate for active owners earning less than \$150,000 (married) or \$75,000 (single) in taxable income. 9% rate available to specified service businesses.	Taxed according to ordinary individual rates. Taxpayers may deduct 23% of qualified pass-through income. Deduction limited to 50% of W-2 wages (with exceptions). Deduction not available for specified service income unless taxpayer's income does not exceed \$500,000 (married) or \$250,000 (single). (Expires 1/1/2026.)
Business interest	Deduction for net interest limited to 50% of adjusted taxable income for firms with debt-equity ratio above 1.5. Interest above limitation may be carried forward indefinitely.	Deduction for net interest limited to 30% of adjusted taxable income. Interest above limitation may be carried forward up to five years. Businesses with average annual gross receipts over last three years of \$25 million or less are exempted.	Deduction for net interest limited to 30% of adjusted taxable income. Interest above limitation may be carried forward indefinitely. Businesses with average annual gross receipts over last three years of \$15 million or less are exempted.
Depreciation	Most assets depreciated over time. Bonus depreciation for equipment through January 1, 2020. Immediate expensing up to \$500,000.	Full and immediate expensing (100% bonus depreciation) for equipment through 2022. Recovery period for residential and nonresidential property unchanged. Expansion of expensing to \$5 million for small businesses through 2022.	Full and immediate expensing (100% bonus depreciation) for equipment through 2022; percentage reduced by 20% per year for four years starting 2023. Recovery period for residential and nonresidential property shortened to 25 years. Expansion of expensing to \$1 million for small businesses.
Corporate AMT	20% in excess of \$40,000.	Repealed.	Retained.
International tax system	Worldwide-based with deferral of active income.	Territorial-based with taxation of income from intangibles and other anti-base-erosion provisions.	Territorial-based with taxation of income from intangibles and other anti-base-erosion provisions.
Tax on repatriated earnings	Tax due when foreign-source income is repatriated to U.S. parent; exceptions for certain passive and branch income. Taxed at 35%. Foreign tax credits available.	One-time deemed repatriation: 14% on cash and cash equivalents, 7% otherwise, paid over 8 years. Foreign tax credits partially available.	One-time deemed repatriation: 14.5% on cash and cash equivalents, 7.5% otherwise, paid over 8 years. Foreign tax credits partially available.
Other business tax expenditures	Various credits and deductions for businesses.	Repeal Section 199 domestic production activities deduction. Net operating loss (NOL) deduction limited to 90% of taxable income beginning in 2018. Carryback generally repealed, indefinite carryforward with interest.	Repeal Section 199 domestic production activities deduction. NOL deduction limited to 90% of taxable income (80% starting in 2023). Carryback generally repealed, indefinite carryforward.

Source: CRS analysis of current law and the House-passed and Senate-passed versions of the Tax Cuts and Jobs Act (H.R. 1).

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