Michael Best Strategies

TAX REFORM

Overview

On November 2, House Republicans released their tax reform bill titled, "Tax Cuts and Jobs Act." Michael Best Strategies' (MBS) tax policy experts, Denise Bode and Anne Canfield continue to provide constant updates to their tax analysis charts in this tax reform update. This past week, on November 16, the House of Representatives passed "Tax Cuts and Jobs Act" (H.R. 1) as approved by Ways and Means Committee by a vote of 227 to 205. On November 16, the Senate Finance Committee passed their version of the "Tax Cut And New Jobs" act by a vote of 14-12.

Next week, the Senate Budget Committee will review the Senate Finance Committee passed bill to ensure that it complies with the requirements set forth in the FY2018 Budget Resolution. The week of November 27, the full Senate will consider the Senate Finance Committee passed bill on the Senate floor.

There are two possible pathways once the bill is on the Senate Floor: (1) The Senate passes a bill, with any amendments that may be added by the full Senate. The conferees are appointed for a House-Senate Conference Committee to resolve any differences between the two bills. Once the Conference Report is put together by the House-Senate Conference Committee, the Conference Report will then go back to the full Senate and U.S. House of Representatives for an up-down vote on the Conference Report, which is not amendable. (2) The second and, potentially, more likely pathway is that the House and Senate pre-conference the bill. Any changes that the House wants to make to the bill would be included by the full Senate during its consideration of the Senate Finance Committee-passed bill. The final tax reform bill would then be passed by the full Senate and then passed by the U.S. House of Representatives, thus avoiding a second vote in the Senate, which might be critical to the ultimate success.

Congressional Republican Timeline

November 6

Ways & Means Full Committee began their markup of their bill.

November 9

Ways & Means Full Committee passed the bill. Senate Finance Committee released their tax reform plan.

November 13

House expects to consider the bill on the floor sometime this week. Senate to begin markup of their bill.

November 16

The House passed their legislation with a vote of 227 to 205. The Senate passed their bill out of committee with a vote of 14-12.

November 27

The Senate could vote on their tax bill sometime this week.

Between November 27 & December 24

When both chambers complete action, they can either conference the legislation or the House could be asked to pass whatever the Senate can pass because of its slim majority and send to the President for his approval.

Senate Finance Links

Chairman's Modification to the Chairman's Mark
Revenue Estimates to the Chairman's Modification

The U.S. House of Representatives

"Tax Cuts and Jobs Act" (H.R. 1), as passed.

Joint Committee on Taxation

Links to key documents

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Business Tax Package

Rule	Current law	House bill	Senate bill
Tax rates	• 35%	• 20% flat rate • AMT repealed	• 20% rate delayed until 2019 • AMT repealed
Pass-through tax rates	• Taxed at individual owners' rates	• The bill would reduce the top rate to 25%-- but places limits on the kind of income that would qualify. • Lowers rates for small business income • "Professional services" -- including doctors, lawyers, accountants and others – would not qualify for the rate. • Modifies treatment of S corporation conversions into C corporations. • Other business owners could choose one of two options: ○ Categorize 70% of their income as wages -- and pay their individual tax rate on it -- and 30% as business income, taxable at the 25% rate. ○ Set the ratio of their wage income to business income based on the level of their capital investment. • The guidelines are aimed at preventing abuse of the 25% rate -- such as high-earning individuals forming themselves into corporations to get a tax cut.	• An individual taxpayer generally may deduct 17.4 percent of domestic qualified business income from a partnership, S corporation, or sole proprietors. The deduction would be limited to 50% of W-2 wages of a taxpayer who has qualified business income from a partnership or S corporation, except in the case of a taxpayer whose taxable income does not exceed a threshold amount (subject to phaseout). Expires after Dec. 31, 2025. • The proposal expands the limitation on excess farm losses. • Would create a new deduction for pass-through business income which lowers the top tax rate for these businesses from the current 39.6%, but • Enhanced cash accounting allowing more businesses to use the simple cash-basis accounting • The proposal expands the exception for small taxpayers from the uniform capitalization rules
Capital gains/ Dividend paid and received deduction	• 0%/15%/20% on capital gains and qualified dividends • 3.8% net investment income tax for highest earners	• The 80-percent dividends received deduction is lowered to 65 percent and the 70-percent dividends received deduction is lowered to 50 percent, preserving the current law effective tax rates on income from such dividends.	• After 2018, would reduce the 80% dividends received deduction to 65% and the 70% dividends received deduction to 50%, and would repeal the maximum corporate tax rate on net capital gain as obsolete.
Cost recovery of capital investments	• Depreciation deductions over time	• 100% expensing for 5 years • **Bonus Depreciation** is extended with first-year additional depreciation for qualified property and specified fruit- and nut-bearing plants for three additional years, and would increase the first-year additional depreciation percentage to 100%, effectively allowing taxpayers to deduct immediately the full cost of qualified property acquired and placed in service after Sept. 27, 2017, and before Jan. 1 2023 (Jan. 1 2024 for longer production period property)	• The plan would increase the amount that a taxpayer may expense under §179 to $1,000,000. The plan would also increase the phase-out threshold to $2,500,000. These amounts would be indexed for inflation for tax years beginning in 2018. • The plan would expand the definition of §179 property to include certain depreciable tangible personal property (property used to furnish lodging). • The plan would also expand the definition of qualified real property for improvements made to nonresidential real property. The types of improvements falling under that definition include: roofs, heating, ventilation, and air-conditioning property, fire protection and alarm systems, and security systems. • **Bonus Depreciation** is the extended and modified to allow the availability of first-year additional depreciation for qualified property and specified fruit- and nut- bearing plants through 2022, and would increase the first-year additional depreciation percentage to 100% for property placed in service after Sept. 27, 2017, and before Jan. 1, 2023. • The plan would exclude certain public utility property from the definition of qualified property. • Under the plan, the taxpayer's election to accelerate AMT credits in lieu of bonus deprecation would be repealed because of the plan's elimination of AMT.

Business Tax Package *(cont.)*

Rule	Current law	House bill	Senate bill
Interest expense	• Generally deductible, but investments need to be held for 1 year to receive capital gains treatment.	• The deduction for business interest shall not exceed the sum of the business interest income of such taxpayer for the year plus 30% of the adjusted taxable income of such taxpayer • Carried Interest-The measure would increase asset-holding period to three years from one year to qualify for the break • Certain small businesses are exempt • Special exclusion for utilities • A special rule that applies to partnerships and S- Corps • Any interest amounts disallowed under the provision would be carried forward to the succeeding 5 taxable years and would be an attribute of the business (as opposed to its owners). • Investments held for a minimum of 3 years qualify for capital gains treatment. Exclusion from deductibility limit of net business provided for interest for taxpayers that paid or accrued interest on “floor plan financing debt.	• The plan would limit the deduction for net interest expense to 30% of adjusted taxable income, and the limit would be applied at the taxpayer level (for affiliated corporations filing a consolidate return it would apply at the consolidate tax return filing level). Any interest not allowed as a deduction may be carried forward indefinitely. • Does not apply to certain regulated public utilities, also does not apply to certain electric cooperatives. • Carried Interest- The measure would increase asset-holding period to three years from one year to qualify for the break (same as house) • Would allow farming businesses to elect not to be subject to the business interest deduction limitation. The plan would require farming businesses that make this election to use the alternative depreciation system to depreciate property used in the farming business with a recovery period of ten years or more.. • Under the plan, businesses that satisfy the $15 million gross receipts test would be exempt from the interest limitation rule.
Deductions and credits	• Numerous deductions and credits • No credit for comp paid to employees on family or medical leave	Includes reform of business related exclusions and deductions for deductions such as local lobbying expenses and entertainment expenses Uniform treatment of expenses in contingent fee cases. <u>Business Credits</u> • Section 199 repealed • Research & Development tax credit preserved but requires certain expenditures to be amortized • Repeal of credit for clinical testing expenses • Repeal of employer provided childcare credit • Repeal of work opportunity Tax Credit • Termination of New Markets Tax Credit • Termination of Historic Preservation Tax Credit • Repeal of Credit for Expenditures to provide access to disabled individuals • Modification of employer tip credit <u>Energy Credits</u> • Modification of renewable energy tax credit o Wind production tax credit reduced from 2.6 cents per kwh to 1.5. Ends safe harbor provisions that allow projects under construction but not completed to qualify for credit. • Repeals inflation adjustment, effective November 2. • Modification of energy investment tax credit • Extension and phase out of residential energy efficient property • Repeal of enhanced oil recovery credit • Repeal of credit for producing oil and gas from marginal wells	• Low income housing credit preserved but the plan would incorporate 6 provisions from S.548, the Affordable Housing Credit Improvement Act: (1) §302 - reconstruction or replacement period after casualty loss; (2) §303 - modifications of rights relating to building purchase; (3) §307 - determination of community revitalization plan to be made by State housing credit agency; (4) §308 prohibition on local approval and contribution requirements; (5) §401 - selection criteria under qualified allocation plans; and (6) §501 - the renaming of the tax credit. • Research or experimental expenditures, including software development expenditures, would have to be capitalized and amortized ratably over a five-year period (15 years if attributable to research conducted outside of the United States). Land acquisition and improvement costs, and mine (including oil and gas) exploration costs, would not be subject to this rule. Upon retirement, abandonment, or disposition of property, any remaining basis would continue to be amortized over the remaining amortization period. Would be repealed effective for tax years beginning after Dec. 31, 2025, if Oct. 1, 2017-Sept. 30, 2026 revenue targets are met. Would apply on a cutoff basis to expenditures paid or incurred in tax years beginning after Dec. 31, 2025. • Section 199 repealed • Limitation on deduction by employers of expenses for fringe benefits • Disallows employer deductions for expenses associated with meals provided for the business employer’s convenience on, or near, the employer’s premises through an employer-operated facility that meets certain requirements. Effective date is taxable years beginning after December 31, 2025. • Modification of credit for clinical testing expenses for certain drugs for rare diseases or conditions. • Repeal the Rehabilitation10% tax credit for pre-1936 buildings. The plan would also reduce the credit for qualified rehabilitation expenditures with respect to a certified historic structure to 10%. The proposal would generally be effective for amounts paid or incurred after Dec. 31, 2017 –with a transition rule for expenditures incurred (with…

Business Tax Package *(cont.)*

Rule	Current law	House bill	Senate bill
Deductions and credits *(cont.)*			…respect to any building owned or leased by the taxpayer at all times on and after Jan. 1, 2018) through the end of a 24-month period required to begin within 180 days after enactment of the Act. • Employers to claim a general business credit equal to 12.5 percent of the amount of wages paid to qualifying employees during any period in which such employees are on family and medical leave (“FMLA”) if the rate of payment under the program is 50 percent of the wages normally paid to an employee. The credit is increased by 0.25 percentage points (but not above 25 percent) for each percentage point by which the rate of payment exceeds 50 percent. • New market and other investments in low income areas--provides for the temporary deferral of inclusion in gross income for capital gains reinvested in a qualified opportunity fund and the permanent exclusion of capital gains from the sale or exchange of an investment in the qualified opportunity fund.
Tax Exempt Bonds	• Tax exempt bonds allowed for professional stadiums • Private-activity bonds are tax exempt • Advanced refunding bonds are allowed under certain conditions • State and local governments and other entities may issue various categories of tax credit bonds for specific projects under certain conditions	<u>Bond Reforms</u> • No tax exempt bonds for professional stadiums • Makes all new-issue private-activity bonds (including bonds for 501(c)3 organizations) taxable • Prohibits all tax-exempt advanced refunds • Repeals the authorization for tax credit bonds (e.g. Qualified Zone Academy Bonds and Qualified Clean Energy Bonds)	• Keeps tax exemption for certain private activity bonds • Repeal of advance refunding bonds • Modification of rehabilitation credit
NOLs	• NOLs carried back 2 years and forward 20 years	• Repeal of NOL carrybacks other than 1 year carryback of eligible disaster losses • NOLs limited to 90% of taxable income	• The proposal limits the NOL deduction to 90 percent of taxable income (determined without regard to the deduction). Carryovers to other years are adjusted to take account of this limitation, and may be carried forward. Effective in taxable years beginning after December 31, 2022.
International operations	• Tax worldwide profits (tax deferred on active foreign earnings until repatriated to US)	• Modernizes our international tax system, eliminating the ‘worldwide’ tax system, and switching to a territorial system • Changes the law regarding the treatment of foreign earnings ○ No taxes on active foreign profits but a 10% tax on high profit foreign subsidiaries • New anti-inversion rules • Impose a 20% excise tax on U.S. multinationals’ payments to foreign affiliates but eliminates the mark-up on deemed expenses. Second, it expands the foreign tax credit to apply to 80% of foreign taxes and refines the measurement of foreign taxes paid by reference to section 906 of current law rather than a formula based on financial accounting information.	• Eliminates worldwide system • Eliminates incentives for companies to shift jobs, profits and intellectual property overseas and creates incentives for companies to locate and invest in America • Proposes a 12.5% tax on certain foreign profits produced from intangible assets such as patents and copyright, whether those assets are in the U,.S. or abroad • Does not impose the 20% excise tax on certain payments U.S. multinationals make to offshore affiliates • Eliminates the “lock-out effect”

Business Tax Package *(cont.)*

Rule	Current law	House bill	Senate bill
Tax Exempt Entities	No special tax imposed	• Taxes large university endowment income at 1.4%. Would apply to schools with assets of more than $250,000 per student. It would exempt small schools. Also, ensures that endowment assets of a private university that are formally held by organizations related to the university, and not merely those that are directly held by the university, are subject to the 1.4-percent excise tax on net investment income. • More rigorous accountability for tax-exempt organizations. • Churches permitted to make statements relating to political campaign in ordinary course of religious services and activities.	• Repeal of tax-exempt status for professional sports leagues • Taxes large university endowment income at 1.4%. Would apply to schools with assets of more than $250,000 per student. It would exempt small schools. Also, ensures that endowment assets of a private university that are formally held by organizations related to the university, and not merely those that are directly held by the university, are subject to the 1.4-percent excise tax on net investment income. • The related-party rule of the provision applies only to assets held for the educational institution and to investment income that relates to assets held for the educational institution. An exception is provided to the excess business holdings rules for certain philanthropic business holdings. • Excise tax on excess tax-exempt organization executive compensation
Imports/ exports	• Included in corporate tax base if company is subject to US tax	• No border adjustment tax	• No border adjustment tax
Excise Taxes	• CRAFT Beverage taxed • Spirits are currently taxed at $13.50 per gallon. • Wines with less than 14% alcohol are taxed at $1.07 per gallon, while stronger wines are taxed with rates that increase incrementally with the alcohol content -- wines above 24% alcohol, for example, are taxed like spirits at $13.50 per gallon. Sparkling wine is taxed at $3.40 per gallon	• Was not addressed	• CRAFT Beverage Modernization • Spirits-$2.70 per gallon for the first 100,000, $13.34 per gallon for anything between 100,000 gallons and 22,130,000 gallons. Anything larger than that would be taxed at $13.50 per gallon. • Wine-reduce the excise taxes to $1 per gallon for the first 30,000 gallons produced or imported, 90 cents per gallon on the next 100,000 gallons, and 53.5 cents per gallon on the next 620,000 gallons. It also raises the amount of alcohol for the lowest taxable increment of wine from 14% to 16%. Sparkling wine, under the proposal, would be taxed inline with still wines.

Individual Tax Package

Rule	Current law	House bill	Senate bill
Standard Deduction	**Individuals:** • $6.35k **Joint Filers:** • $12.7k	• Personal exemption is eliminated **Individuals:** • $12.2K **Joint Filers:** • $24.4K	**Individuals:** • $12K **Joint Filers:** • $24K • For single parents, the standard deduction will increase from $9.3K to $18K • Enhanced standard deduction amounts would expire after Dec. 31, 2025, but standard deduction amounts would continue to be indexed for inflation using C-CPI-U after Dec. 31, 2025.
Rates	**Individual:** • Up to $9.325k – **10%** • $9.325k to $37.950k – **15%** • $37.950k to $91.9k **– 25%** • $91.9k to $191.65k **– 28%** • $191.65k to $416.7k – **33%** • $416.7k to $418.4k – **35%** • Over $418,401 – **39.6%** **Joint Filers:** • Up to $18.650k – **10%** • $18.650k to $75.9k **– 15%** • $75.9k to $153.1k – **25%** • $153.1k to $233.35k – **28%** • $233.35k to $416.7k – **33%** • $416.7k to $470k – **35%** • Over $470,001 – **39.6%**	**Individual:** • $12k to $45k – **12%** • $45k to $200k – **25%** • $200k to $500k – **35%** • Over $500,001 – **39.6%** **Joint Filers:** • $24k to $90k – **12%** • $90k to $260k – **25%** • $260k to $1M – **35%** • Over $1,000,001 – **39.6%** **Wealthy Bubble Tax:** • **Individuals:** • $1M to $1.2M – **45.6%** • **Joint filers:** • $1.2M to $1.4M – **45.6%**	**Individual:** • Up to $9,525–10% • $9,525 to $38,700 – 12% • $38,700 to $60,000 – 22.5% • $60,000 to $170,000 – 25% • $170,000 to $200,00 – 32.5% • $200,000 to $500,000 – 35% • Over $500,000 – 38.5% **Joint Filers:** • Up to $19,050 – 10% • $19,050 to $77,400 – 12% • $77,400 to $120,000 – 22.5% • $120,000 to $290,000– 25% • $290,000 to $390,000 – 32.5% • $390,000 to $1,000,000 – 35% • Over $1,000,000 – 38.5%
Alternative Minimum Tax (AMT)	• Separate tax calculations on some returns	• Corporate and Individual AMT Repealed	• Repeal AMT. Sunset provision: Repeal of the individual AMT would expire after Dec. 31, 2025.
Retirement, Compensation and Health	• For defined benefit or defined contribution pension plans, the employee defers taxation until income is distributed from the plan – i.e. tax deferral is limited to $18,000 for 2017 • Under ACA, individuals must be covered by a health plan that provides at least minimum essential coverage or be subject to a tax (also referred to as a penalty) for failure to maintain the coverage (commonly referred to as the "individual mandate").	• Retains Individual Retirement Accounts and 401(k)s • Retains current law on Nonqualified deferred compensation • ACA "individual mandate" not dealt with.	• Continues 401(k) and Individual Retirement Account programs • Nonqualified deferred compensation • Modification of limitation on excessive employee remuneration • Elimination of catch-up contributions for high-wage employees • The amount of the" individual mandate" enacted as part of the Affordable Care Act (ACA) is reduced to zero. • IRS required to publish a simplified income tax return form designated a Form 1040SR, for use by persons who are age 65 or older. The form is to be as similar as possible to the Form 1040EZ. Won't be restricted based on the amount of taxable income to be shown on the return, or the fact that the income to be reported for the taxable year includes social security benefits, distributions from qualified retirement plans, annuities or other such deferred payment arrangements, interest and dividends, or capital gains and losses taken into account in determining adjusted net capital gain.
Credits and Deductions	• SALT deductions are an itemized deduction for taxes paid • $1,000 per child tax credit • Deduct up to $1M in mortgage principal	• The bill would eliminate the itemized deduction for state and local income and sales tax. The bill would allow individuals to deduct up to $10,000 in state and local property taxes. • Expands the Child Tax Credit from $1,000 to $1,600 and provides a credit of $300 for each parent and non-child dependent • Preserves the Earned Income Tax Credit	• The plan would eliminate the itemized deduction for all state and local taxes paid by individuals. The plan would only allow a deduction for state and local taxes paid or accrued in carrying on a trade or business. The plan would only allow state and local property taxes imposed on business assets to be deducted. • Would provide that these changes expire after Dec. 31, 2025, and the state and local tax deduction would revert back to its form as it existed before Jan. 1, 2018 at that time.

Individual Tax Package *(cont.)*

Rule	Current law	House bill	Senate bill
Credits and Deductions *(cont.)*		• Retain for existing mortgages; $1M cap reduced to $500,000; deduction allowed for principal residences only • HELOC loan interest deduction disallowed • Eliminates overall limitation on itemized deductions **Eliminates most itemized deductions:** • Repeal of deduction for tax preparation expenses. • Repeals moving expenses except for the military • Repeal of medical expense deduction. • Repeal of deduction for alimony payments. • Exclusion of gain from sale of a principal residence • Repeal of exclusion, etc., for employee achievement awards. • Effective Dec. 31, 2022, repeal of exclusion for dependent care assistance programs. • Repeal of exclusion for qualified moving expense reimbursement. • Repeal of exclusion for adoption assistance programs. • Low-income housing credits retained • The bill would repeal the personal casualty loss deduction for property losses (not used in connection with a trade or business or transaction entered into for profit) incurred from fire, storm, shipwreck, or other casualty, and theft. The bill would preserve the above-the-line casualty loss deduction for personal casualty losses incurred due to a disaster and associated with 2017 disaster relief legislation. • Repeals Electric Vehicle tax credit. The proposals repealing qualified plug-in electric drive motor vehicles would be effective for vehicles placed in service for tax years beginning after 2017. • The adoption credit would be preserved.	• Raises child tax credit to $2,000 and changes threshold amount where the credit would begin to phase out to $500,000 for married taxpayers filing a joint return. This modification would be effective for tax years beginning after Dec. 31, 2017. These changes would expire after Dec. 31, 2025, and the child tax credit would revert back to its form as it existed before Jan. 1, 2018 at that time. • Preserves Earned Income Tax Credit • The plan would repeal the mortgage interest deduction with respect to interest on home equity indebtedness. But, the plan would retain the deduction with respect to interest on acquisition indebtedness of up to $1,000,000 ($500,000 for a married person filing a separate return). Preserves the low-income housing credit. Would provide that the repeal of the mortgage interest deduction with respect to interest on home equity indebtedness expires after Dec. 31, 2025, and that the mortgage interest deduction would revert back to its form as it existed before Jan. 1, 2018 at that time. • Preserves the adoption tax credit • Preserves Electric Vehicle tax credit • Preserves the medical expense deduction • Repeals moving expenses except for the military. Would provide that the modifications to the moving expense deduction expire after Dec. 31, 2025 and would revert back to its form as it existed before Jan. 1, 2018 at that time. • Gain from sale would be available only if the taxpayer has owned and used the residence as a principal residence for at least five of the eight years with an exception for taxpayers that change places of employment, health, or unforeseen circumstances (equal to a fraction of the $250,000, or $500,000 if married filing a joint return). The plan would limit the ability of taxpayer's to use the exclusion to once every five years. Would provide that the modifications to the exclusion of gain from the sale of a principal residence expire after Dec. 31, 2025, and that the exclusion of gain from the sale of a principal residence would revert back to its form as it existed before Jan. 1, 2018 at that time. • The plan would repeal the exclusion from gross income for qualified moving expense reimbursements. Would provide that the repeal of the exclusion for qualified moving reimbursements expires after Dec. 31, 2025, and treatment of qualified moving expense reimbursements would revert back to its form as it existed before Jan. 1, 2018 at that time.
Capital gains	• 0%/15%/20% on capital gains and qualified dividends 23.8% net investment income tax for highest earners	• Under the zero percent capital gains bracket, the bill would amend the 25% rate to a 15% rate threshold. Under the 15% capital gains bracket, the bill would amend the 39.6% rate to 20% rate threshold. The rate thresholds would be as follows: Married Filing Jointly (and Surviving Spouses): • 15% Rate Threshold - $77,200 • 20% Rate Threshold - $479,000	• Under the plan, the breakpoints between the zero- and 15% rates and the 15- and 20% rates would be the same as the under present law. For tax years beginning in 2018, the rate thresholds would be as follows: Married Filing Jointly (and Surviving Spouses): • 5% Rate Threshold - $77,200 20% Rate Threshold - $479,000

Individual Tax Package *(cont.)*

Rule	Current law	House bill	Senate bill
Credits and Deductions *(cont.)*		<u>Married Filing Separately:</u> • 15% Rate Threshold - $38,600 • 20% Rate Threshold - $239,500 <u>Head of Household:</u> • 15% Rate Threshold - $51,700 • 20% Rate Threshold - $452,400 <u>Other Individuals:</u> • 15% Rate Threshold - $38,600 • 20% Rate Threshold - $425,800 • The above 15% and 20% threshold amounts would be adjusted for inflation beginning in tax years after 2018. • The bill would make this provision effective for tax years beginning after 2017.	<u>Married Filing Separately:</u> • 15% Rate Threshold - $38,600 20% Rate Threshold - $239,500 <u>Head of Household:</u> • 15% Rate Threshold - $51,700 • 20% Rate Threshold - $452,400 <u>Other Individuals:</u> • 15% Rate Threshold - $38,600 • 20% Rate Threshold - $425,800 • The above 15% and 20% threshold amounts would be adjusted for inflation beginning in tax years after 2017. • The plan would make this provision effective for tax years beginning after 2017. • JCT Mod. 11/14: Would have seven tax brackets: 10%, 12%, 22%, 24%, 32%, 35%, and 38.5% <u>Married Filing Jointly and Surviving Spouses:</u> • 10% (Taxable income not over $19,050) • 12% (Over $19,050 but not over $77,400) • 22% (Over $77,400 but not over $140,000) • 24% (Over $140,000 but not over $320,000) • 32% (Over $320,000 but not over $400,000) • 35% (Over $400,000 but not over $1,000,000) • 38.5% (Over $1,000,000)
Charitable Contributions		• The bill would (i) increase the AGI limitation on cash contributions from 50% to 60% and would retain the five-year carryover, (ii) repeal the current 80% deduction for contributions made for university athletic seating rights, (iii) provide that the standard mileage rate for charitable use of an automobile would take into account the variable cost of operating an automobile rather than the current 14 cents per mile, and (iv) repeal the exception to the contemporaneous written acknowledgment requirement for contributions of $250 or more when the donee organization files the required return. The changes would apply to contributions made in tax years beginning after 2017.	• The plan would increase the AGI limitation on cash contributions from 50% to 60% for tax years beginning after 2017. The plan would not make any change to the carryover period. • The plan would repeal the current deduction for contributions to higher education institutions if the taxpayer receives in return the right to purchase tickets or seating at an athletic event. The change would apply to contributions made in tax years beginning after 2017. • The Senate plan does not address the standard mileage rate for charitable use of a personal vehicle. • Would repeal the exception to the contemporaneous written acknowledgment requirement for contributions of $250 or more when the donee organization files the required return. Effective for contributions made in tax years beginning after Dec. 31, 2016.
Estate, Gift and Generation-Skipping Transfer Tax	• Basic exclusion amount of $5.49M per taxpayer in 2017; portability of unused exclusion to spouse; top tax rate of 40% on transfers in excess of $1,000,001	• The bill would increase the federal estate and gift tax unified credit basic exclusion amount to $10,000,000 (with inflation adjustments), effective for decedents dying and gifts made after 2017. The bill would repeal the federal estate tax, effective for decedents dying after 2024 (while retaining the provision allowing a “stepped-up” income tax basis at death). The bill would lower the federal gift tax rate from 40% to 35%, effective for gifts made after 2024. • The bill would increase the federal GST exemption amount to $10,000,000 (with inflation adjustments), effective for generation-skipping transfers made after 2017. The bill would repeal the federal generation-skipping transfer tax, effective for generation-skipping transfers made after 2024.	• The plan would increase the federal estate and gift tax unified credit basic exclusion amount to $10,000,000 (with inflation adjustments from 2011), effective for decedents dying and gifts made after 2017. • The plan does not provide for a repeal of the estate tax at any point in the future.