

Details of the Conference Report for the Tax Cuts and Jobs Act

December 15, 2017



Jared Walczak

Joseph Bishop-Henchman

Nicole Kaeding

On Friday, House and Senate conferees signed off on a [conference report](#) resolving the differences between the versions of the Tax Cuts and Jobs Act that passed each chamber. Votes are expected in the House and Senate early next week. The 503-page conference report hews more closely to the language of the Senate than the House version, but it also reflects a range of compromises, fixes, and negotiated agreements that reflect the concerns and priorities of members in both chambers.

Even—perhaps especially—those who have followed every twist and turn of the tax reform debate can easily lose track of which provisions are in or out. Throughout the process, we have outlined the details of both the [House and Senate versions](#), and tracked their amendments. Now that we have final language, it makes sense to start with a clean slate, looking at the provisions of the conference committee report against a current law baseline.

Here, then, are the major provisions of the conference committee report. All figures (both current law and conference report provisions) are for 2018. Most individual income tax changes will revert to current law after 2025 unless extended.

Individual Income Taxes				
Provision	Current Law			Conference Report
Individual Income Tax Rates and Brackets	Seven-bracket progressive rate income tax with a top marginal rate of 39.6 percent.			Retains seven brackets, but at reduced rates, including a top marginal rate of 37 percent. Provisions sunset at end of 2025.
	Rate	Single	HoH	Joint
	10% >	\$0	\$0	\$0
	15% >	\$9,525	\$13,600	\$19,050
	Rate	Single	HoH	Joint
	10% >	\$0	\$0	\$0
	12% >	\$9,525	\$13,600	\$19,050

	<p>25% > \$38,700 \$51,800 \$77,400</p> <p>28% > \$93,700 \$133,850 \$156,150</p> <p>33% > \$195,450 \$216,700 \$237,950</p> <p>35% > \$424,950 \$424,950 \$424,950</p> <p>39.6% > \$426,700 \$453,350 \$480,050</p>	<p>22% > \$38,700 \$51,800 \$77,400</p> <p>24% > \$82,500 \$82,500 \$165,000</p> <p>32% > \$157,500 \$157,500 \$315,000</p> <p>35% > \$200,000 \$200,000 \$400,000</p> <p>37% > \$500,000 \$500,000 \$600,000</p>
Indexing Provisions	Individual income tax provisions indexed to the Traditional CPI measure of inflation.	Individual income tax provisions indexed to the Chained CPI measure of inflation.
Standard Deduction	Standard deduction of \$6,500 for single filers, \$9,550 for heads of household, and \$13,000 for joint filers. The current code also offers a \$4,150 per-person standard deduction along with an additional standard deduction of \$1,300 for the aged or blind (\$1,600 if unmarried).	Increases the standard deduction to \$12,000 for single filers, \$18,000 for heads of household, and \$24,000 for joint filers, while eliminating the personal exemption. Provisions sunset at the end of 2025.
Above the Line Deductions	Provides a range of above-the-line deductions which can be claimed regardless of whether a filer itemizes.	Repeals the moving expense deduction (except for active duty military personnel) and eliminates the alimony deduction effective 2019 (though those receiving alimony no longer count it as income). Retains other above-the-line deductions, including educator expenses and student loan interest. Graduate student tuition waivers also remain in place.
Itemized Deductions	Offers a list of itemized deductions, claimable in place of the standard deduction. The mortgage interest deduction is currently limited to \$1 million in mortgage debt and \$100,000 in equity debt.	Retains the charitable contribution deduction. Also retains the mortgage interest deduction for acquisition, but limited (for new purchases) to \$750,000 in mortgage debt, while eliminating the deduction for equity debt. Caps the state and local tax deduction at \$10,000 (property plus choice of income or sales taxes, as under current law), except for taxes paid or accrued in carrying on a trade or business. The medical expense deduction threshold is lowered to 7.5 percent for 2018, and reverts to 10 percent thereafter. Eliminates other itemized deductions.

Child and Family Tax Credits	Partially refundable \$1,000 child tax credit for the first two children, with a less generous Additional Child Credit for third and subsequent children.	Increases the child tax credit to \$2,000. Of this, \$1,400 would be refundable, with the refundable portion indexed to inflation. All dependents ineligible for the child tax credit are eligible for a new \$500 per-person family tax credit. Provisions begin to phase out at \$400,000 (\$200,000 for single filers). Social Security Numbers required for portions of the above. All provisions sunset at the end of 2025.
Alternative Minimum Tax	Imposes a two-rate alternative minimum tax (AMT) with an \$86,200 exemption and a \$164,100 exemption phaseout for joint filers. (Other exemptions and phaseout thresholds exist for single filers and married filing separately.) Under the AMT, the standard deduction, personal exemption, and state and local tax deduction are disallowed (among others), the mortgage interest deduction is limited to first and second residences, and certain other deductions (including the medical expense deduction) are limited.	Increases the exemption to \$109,400 and raises the phaseout threshold to \$1 million for joint filers. (Other exemptions and phaseout thresholds exist for single filers and married filing separately, and are also adjusted.)
529 Deduction	Allows a deduction for deposits into a 529 account for college tuition and expenses.	Expands the use of 529 accounts to cover tuition for students in K-12 private schools and homeschooling costs.
Business Taxes		
Provision	Current Law	Conference Report
Corporate Tax Rate	Multi-bracket corporate income tax structure with a top marginal rate of 35 percent and a bubble rate of 39 percent.	Single-rate 21 percent corporate income tax.
Treatment of Pass-Through Income	Subject to individual income tax rates and brackets.	Adopts a 20 percent deduction for pass-through income, limited to the greater of (a) 50 percent of wage income or (b) 25 percent of wage income plus 2.5 percent of the cost of tangible depreciable property for qualifying businesses, including publicly traded partnerships but not

		including certain service providers. Limitations (both caps and exclusions) do not apply for those with incomes below \$315,000 (joint), and phase out over a \$100,000 range.
Capital Investment	In relevant part, allows 50 percent bonus depreciation of short-lived capital investment, such as machinery and equipment, through 2020, and offers Section 179 small business expensing with a cap of \$500,000 and a phaseout beginning at \$2 million.	Allows full (100 percent) expensing of short-lived capital investment, such as machinery and equipment, for five years, then phases out the provision over the subsequent five, and raises Section 179 small business expensing cap to \$1 million with a phaseout starting at \$2.5 million.
Alternative Minimum Tax	Applies a 20 percent tax rate to a more broadly defined alternative definition of income.	Corporate AMT is repealed.
Tax Treatment of Interest	Allows a full deduction for interest paid (with no cap).	Caps net interest deduction at 30 percent of earnings before interest, taxes, depreciation, and amortization (EBITDA) for four years, and 30 percent of earnings before interest and taxes (EBIT) thereafter.
Net Operating Loss (NOL) Provisions	Generally, net operating losses can be carried back two years or forward twenty years, with no limits with regard to taxable income.	Eliminates net operating loss carrybacks while providing indefinite net operating loss carryforwards, limited to 80 percent of taxable income.
Cash Accounting	Businesses with less than \$5 million in income may elect to use the cash method of accounting.	Increases eligibility to businesses with up to \$25 million in income.
Business Credits and Deductions	Provides a range of business credits and deductions.	Modifies, but does not eliminate, the rehabilitation credit and the orphan drug credit, while limiting the deduction for FDIC premiums. Amortizes the Research & Experimentation Credit after 2021.
International Income	Imposes a worldwide system of taxation.	Moves to a territorial system with anti-abuse rules and a base erosion anti-abuse tax (BEAT) at a standard rate of 5 percent of modified taxable income over an amount equal to regular tax liability for the first year, then 10 percent through 2025 and 12.5 percent thereafter, with higher rates for banks.

Deemed Repatriation	Not applicable.	Enacts deemed repatriation of currently deferred foreign profits at a rate of 15.5 percent for liquid assets and 8.0 percent for illiquid assets.
Other Taxes		
Provision	Current Law	Conference Report
Estate Tax	\$5.6 million estate tax exemption, adjusted annually for inflation.	Doubles the estate tax exemption in 2018 (would continue to be adjusted for inflation, now C-CPI).
Individual Mandate Penalty	Imposes a penalty of \$695 or 2.5 percent of income (with a deduction), whichever is higher, to those who forgo health insurance.	Reduces the individual mandate penalty to \$0 in 2019, effectively repealing it.

Errata: As initially published, this post misstated the bracket widths for the 24 and 32 percent rates for single filers. The post also misstated that the additional standard deduction for the elderly was eliminated. It was retained.