

December 22, 2017

Comparing Key Elements of H.R. 1 to 2017 Tax Law

H.R. 1 was passed in both the House and the Senate on December 20, 2017 (before the final version was passed, this bill was called the Tax Cuts and Jobs Act). The act substantively changes the federal tax system. This In Focus compares selected key elements of the act, as passed on December 20, 2017, to current law as of 2017. It builds on an earlier In Focus that compared the earlier House-passed and Senate-passed versions of the proposal (CRS In Focus IF10776, *Comparing Key Tax Reform Elements: Tax Cuts and Jobs Act*, by Mark P. Keightley and Molly F. Sherlock). The comparisons are not intended to be complete or comprehensive; such a comparison is beyond the scope of this product.

Table I. Comparison of Major Provisions in H.R. 1 to Current Law

Tax Provision	Current Law (2017)	H.R. 1, as passed on December 20, 2017
Individual Provisions		
Individual tax rates	7 brackets: 10% 15% 25% 28% 33% 35% 39.6%.	7 brackets: 10% 12% 22% 24% 32% 35% 37%. (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	Personal exemptions repealed.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: \$12,000 (single) and \$24,000 (married) in 2018. (Expires 1/1/2026.)
Inflation adjustment	Consumer Price Index (CPI).	Chained CPI.
Child-related provisions/ personal credits	Refundable child tax credit of \$1,000. Phase out begins at \$110,000 (married) and \$75,000 (single).	\$2,000 credit per child (up to \$1,400 refundable). Phase-out thresholds increased to begin at \$400,000 (married) and \$200,000 (single). Social Security number requirement for child credit. \$500 nonrefundable credit for non-child dependents. (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 itemized deduction for non-disaster casualty losses, home equity loan interest, moving expenses (military exception), and certain miscellaneous itemized deductions. Modified deductions include state and local taxes limited to \$10,000; mortgage interest limited to \$750,000 on new loans; alimony not deductible or taxable. (Expires 1/1/2026.)
Education incentives	Various credits and deductions for education-related expenses.	Provisions generally retained.
Other individual tax expenditures	Various exclusions, credits, and other individual provisions.	Repeal exclusion for moving expenses (military exception). (Expires 1/1/2026.)
Individual AMT	Alternative Minimum Tax (AMT).	Increase exemption amount (\$109,400, married and \$70,300, single) and phase-out threshold (\$1 million, married and \$500,000, single). (Expires 1/1/2026.)
Estate tax	Tax above exemption (\$5.49 million, 2017).	Double exemption amount. (Expires 1/1/2026.)

Business Provisions

Tax Provision	Current Law (2017)	H.R. 1, as passed on December 20, 2017
Corporate tax rate	Maximum rate of 35%.	Flat 21% rate in 2018.
Pass-through businesses tax rate	Taxed according to ordinary individual rates up to 39.6%.	Taxed according to ordinary individual rates. Taxpayers may deduct 20% of qualified pass-through income. Deduction limited to the greater of 50% of W-2 wages, or 25% of W-2 wages plus 2.5% multiplied by qualified property. Specified service business may not claim deduction. Deduction limitation and specified service business limitation do not apply if taxable income is less than \$157,500 (single) or \$315,000 (married). Specified service business definition does not include architecture or engineering firms. (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 indefinitely. Businesses with average annual gross receipts over last three years of \$25 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; percentage reduced by 20% per year for four years starting 2023. Expansion of expensing to \$1 million for small businesses.
Corporate AMT	20% in excess of \$40,000.	Repealed.
International tax system	Worldwide-based with deferral of active income.	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: 15.5% on cash and cash equivalents, 8% 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 80% of taxable income beginning in 2018. Carryback generally repealed, indefinite carryforward.

Source: CRS analysis of 2017 current law and H.R. 1, as passed on December 20, 2017.

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IF10796

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