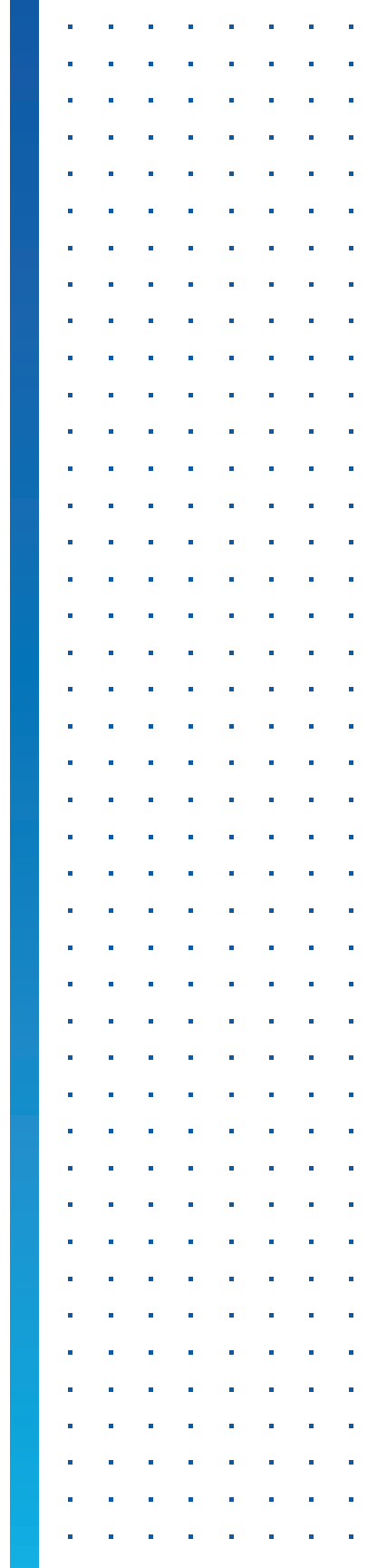


**Bloomberg
Tax**

Roadmap to House and Senate Tax Reform Plans

November 14, 2017



This roadmap compares the House tax reform bill, the “Tax Cuts and Jobs Act” (H.R. 1), as approved by the Ways and Means Committee Nov. 9, incorporating the Chairman’s amendments of Nov. 6 and Nov. 9, with the Senate plan, as explained by the Joint Committee on Taxation’s description of the chairman’s mark, released Nov. 9. To see the legislative text/description relating to each topic, click the links on the bill section numbers and JCT cites.

Check back regularly. We will update this roadmap as developments occur. *(Last updated Nov. 14.)*

Corporate and Business

Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Alternative Minimum Tax (AMT)	After 2017, would repeal corporate AMT. In 2019, 2020, and 2021, if taxpayer would have AMT credit carryforward, taxpayer would be able to claim a refund of 50% of remaining credits (to extent credits exceed regular tax for year). For 2022, taxpayer would be able to claim a refund of all remaining credits.	After 2017, would repeal corporate AMT. The plan would allow the AMT credit to offset the taxpayer’s regular tax liability for any tax year. For any tax year beginning after 2017 and before 2022, the AMT credit would be refundable in an amount equal to 50% (100% in the case of tax years beginning in 2021) of the excess of the minimum tax credit for the tax year over the amount of the credit allowable for the year against regular tax liability.	<u>House</u> H.R.1, § 2001 <u>Senate</u> JCT, II.1	§53, §55(b)(1)(B) (repeal)
Corporate Tax Rate	After 2017, 20% flat corporate tax rate; 25% flat rate for personal service corporations. After 2017, the 80% dividends received deduction would be reduced to 65% and the 70% dividends received deduction would be reduced to 50%, preserving the current law effective tax rates on income from such dividends.	After 2018, 20% flat corporate tax rate; would eliminate the special tax rate for personal service corporations. 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.	<u>House</u> H.R.1, § 3001 <u>Senate</u> JCT, III.A.1 , III.A.2 .	§11, §243, §245, §246, §246A, §861

Corporate and Business				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Cash Method of Accounting	The \$5 million average gross receipts threshold for corporations and partnerships with corporate partners that are not allowed to use the cash method of accounting would be increased to \$25 million (indexed for inflation) and would be extended to certain farming entities for tax years beginning after 2017. The requirement that such businesses satisfy the requirement for all prior years would be repealed.	The \$5 million average gross receipts threshold for corporations and partnerships with corporate partners that are not allowed to use the cash method of accounting would be increased to \$15 million (indexed for inflation) and would be extended to farming C corporations and farming partnership with C corporation partners. Such entities would be required to meet the threshold for the three prior tax-year period.	<u>House</u> H.R. 1, §3202 <u>Senate</u> JCT, III.B.2.	§448
Accounting for Inventories	Currently, taxpayers with average gross receipts of less than \$10 million (\$1 million in certain industries) are permitted to account for inventories as materials and supplies that are not incidental. The bill would increase the average gross receipts threshold from \$10 million to \$25 million (indexed for inflation), regardless of industry, and allow such taxpayers to either treat inventories as materials and supplies that are not incidental or conform to the taxpayer's financial accounting treatment.	The proposal would exempt certain taxpayers from the requirement to keep inventories. Specifically, taxpayers that meet the \$15 million (indexed for inflation) gross receipts test would not be required to account for inventories, but rather could use a method of accounting for inventories that either (1) treats inventories as non-incidental materials and supplies, or (2) conforms to the taxpayer's financial accounting treatment of inventories.	<u>House</u> H.R. 1, §3202 <u>Senate</u> JCT, III.B.3.	§471
UNICAP	The bill would increase the average gross receipts threshold for the UNICAP rules from \$10 million to \$25 million (indexed for inflation). Exemptions from the UNICAP rules that are not tied to a gross receipts test will be retained.	The plan would increase the average gross receipts threshold for the UNICAP rules from \$10 million to \$15 million (indexed for inflation). Exemptions from the UNICAP rules which are not tied to a gross receipts test will be retained.	<u>House</u> H.R. 1, §3202 <u>Senate</u> JCT, III.B.4.	§263A

Corporate and Business

Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Accounting for Long-term Contracts	The \$10 million average gross receipts exception to the requirement to use the percentage-of-completion accounting method for long-term contracts to be completed within two years would be increased to \$25 million (indexed for inflation) for contracts entered into after 2017, and businesses that meet such exception would be permitted to use the completed-contract method (or any other permissible exempt contract method).	The \$10 million average gross receipts exception to the requirement to use the percentage-of-completion accounting method for long-term contracts to be completed within two years would be increased to \$15 million (indexed for inflation) for contracts entered into after 2017, and businesses that meet such exception would be permitted to use the completed-contract method (or any other permissible exempt contract method).	<u>House</u> H.R. 1, §3202 <u>Senate</u> JCT, III.B.5.	§460
Limitation on Losses for Taxpayers Other than Corporations	Not addressed.	Would expand the excess farm business loss limitation to excess business losses of a taxpayer other than a C corporation. An excess business loss for the tax year would be the excess of aggregate deductions of the taxpayer attributable to trades or businesses of the taxpayer, over the sum of aggregate gross income or gain of the taxpayer plus a threshold amount (\$500,000 for married taxpayer filing jointly; \$250,000 for married filing separately (adjusted for inflation)). The limitation would apply at the partner or S corporation shareholder level.	<u>Senate</u> JCT, I.B.2.	§461

Corporate and Business				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Other Accounting Methods	Not addressed.	<p>After 2017, would require a taxpayer to recognize income no later than the tax year in which such income is taken into account as income on an applicable financial statement, but would provide an exception for long-term contract income.</p> <p>Would codify the current deferral method of accounting for advance payments for goods and services provided under Rev. Proc. 2004-34, which allows taxpayers to defer the inclusion of income associated with certain advance payments to the end of the tax year following the tax year of receipt if such income also is deferred for financial statement purposes.</p> <p>Would direct taxpayers to apply the revenue recognition rules under §451 before applying the OID rules under §1272. Thus, to the extent amounts are included in income for financial statement purposes when received (e.g., late payment fees, cash-advance fees, or interchange fees), such amounts generally would be includible in income.</p>	Senate JCT, III.E.1.	§451, §1272

Corporate and Business				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Contributions to Capital	Beginning with date of enactment, contributions to capital of a corporation would be included in corporation's gross income unless exchanged for stock. Contributions in excess of fair market value of stock issued would be included in gross income. Basis in property contributed to capital would be greater of either basis of transferor increased by gain recognized, or amount included in gross income.	Not addressed.	<u>House</u> H.R. 1, §3304	§76 (new), §118 (repeal), §362(c)
Cost Basis of Specified Securities	Not addressed.	Would require that the cost of any specified security sold, exchanged, or otherwise disposed of on or after Jan. 1, 2018, be determined on a first-in first-out basis except to the extent the average basis method is otherwise allowed (as in the case of stock of a RIC). Would restrict a broker's basis reporting method to the first-in first-out method in the case of the sale of any stock for which the average basis method is not permitted.	<u>Senate</u> JCT, III.G.3.	§1001, §1012, §1016, §6045
Rollover of Publicly Traded Securities Gain into SSBICs	For sales after 2017, repeal of rule permitting rollover of gains on publicly traded securities to an SSBIC.	Not addressed.	<u>House</u> H.R. 1, §3310	§1044 (repeal)

Corporate and Business

Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
<p>Increased Bonus Depreciation</p>	<p>The bill would extend the availability of 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).</p> <p>The bill would expand the property that is eligible for this additional depreciation (“qualified property”) to include used property acquired by the taxpayer, provided the property was not used by the taxpayer before the taxpayer acquired it.</p> <p>Qualified property would exclude property used in a real property trade or business, certain regulated utility property, and property used in a trade or business that has floor plan financing indebtedness.</p> <p>Under the bill, the taxpayer’s election to use AMT credits in lieu of deducting the additional depreciation would be repealed. The repeal of this election would be effective for tax years beginning after 2017.</p>	<p>The plan would extend and modify 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.</p> <p>The plan would exclude certain public utility property from the definition of qualified property.</p> <p>Under the plan, the taxpayer’s election to accelerate AMT credits in lieu of bonus depreciation would be repealed because of the plan’s elimination of AMT.</p>	<p><u>House</u> H.R. 1, §3101</p> <p><u>Senate</u> JCT, III.C.2.</p>	<p>§168(k)</p>

Corporate and Business				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Depreciation Limitation for Luxury Automobiles and Personal Use Property	The bill would raise the \$8,000 first-year depreciation increase for passenger automobiles eligible for bonus depreciation to \$16,000, effective for vehicles acquired and placed in service after Sept. 27, 2017, but before Jan. 1, 2023.	<p>The plan would increase the depreciation limitations under §280F for passenger automobiles placed in service after Dec. 31, 2017, to \$10,000 for the year in which the vehicle is placed in service, \$16,000 for the second year, \$9,600 for the third year, and \$5,760 for the fourth and later years. The plan provides that the amounts will be indexed for inflation for automobiles placed in service after 2018.</p> <p>The plan would also remove computer or peripheral equipment from the definition of listed property.</p>	<p><u>House</u> H.R. 1, §3101</p> <p><u>Senate</u> JCT, III.C.3.</p>	§168(k)(2)(F), §280F
Recovery Period for Farming Property	Not addressed.	<p>The plan would shorten the recovery period from 7 years to 5 years for machinery or equipment used in a farming business that is placed in service after Dec. 31, 2017.</p> <p>Additionally, the plan would repeal the requirement that property used in a farming business use the 150% declining balance method. However, the plan would provide that the 150% declining balance method would continue to apply to any 15-year or 20-year property used in the farming business when the straight line method is inapplicable, or if the taxpayer elects the 150% declining balance method.</p>	<p><u>Senate</u> JCT, III.C.4.</p>	§168(b)

Corporate and Business				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Depreciation Deductions for Nonresidential Real Property and Residential Rental Property	Not addressed.	The plan would shorten the recovery period for nonresidential real property and residential rental property to 25 years. Additionally, the plan would eliminate the separate definitions of qualified leasehold property, qualified restaurant, and qualified retail improvement property, and a 20-year ADS recovery period for such property.	<u>Senate</u> JCT, III.C.7.	
Local Lobbying Expenses	The bill would eliminate the deduction for lobbying expenses regarding legislation before local government bodies, including Indian tribal governments, effective for amounts paid or incurred after 2017.	Not addressed.	<u>House</u> H.R. 1, §3305	§162
Modifications to Credit for Electricity Produced from Certain Renewable Resources	Under the bill, the inflation adjustment to the base amount of the Production Tax Credit would be repealed, effective for electricity and refined coal produced at a facility the construction of which begins after Nov. 2, 2017. For electricity produced at such facilities, the credit would revert to 1.5 cents per kilowatt-hour.	Not addressed.	<u>House</u> H.R. 1, §3501	§45

Corporate and Business				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Modification of the Energy Investment Tax Credit	<p>The bill would harmonize the expiration dates and phase-out schedules for different properties.</p> <p>Under the bill, the 30% investment tax credit (ITC) for solar energy, fiber-optic solar energy, qualified fuel cell, and qualified small wind energy property is available for property the construction of which begins before 2020 and is then phased out for property the construction of which begins before 2022, with no ITC available for property the construction of which begins after 2021 (2027 for solar energy property).</p> <p>Additionally, the 10% ITC for qualified microturbine, combined heat and power system, and thermal energy property is made available for property the construction of which begins before 2022.</p> <p>Finally, the permanent 10% ITC available for geothermal energy property is eliminated for property, the construction of which begins after 2027.</p>	Not addressed.	<p><u>House</u> H.R. 1, §3502</p>	§48
Extension and Phaseout of Residential Energy Efficient Property	<p>Under the bill, the credit for residential energy efficient property would be extended for all qualified property placed in service before 2022, subject to a reduced rate of 26% for property placed in service during 2020 and 22% for property placed in service during 2021.</p> <p>The provision would be effective for property placed in service after 2016.</p>	Not addressed.	<p><u>House</u> H.R. 1, §3503</p>	§25D

Corporate and Business				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Repeal of Enhanced Oil Recovery Credit	Under the bill, the enhanced oil recovery credit would be repealed. The provision would be effective for tax years after 2017.	Not addressed.	<u>House</u> H.R. 1, §3504	§43
Repeal of Credit for Producing Oil and Gas from Marginal Wells	Under the provision, the credit for producing oil and gas from marginal wells would be repealed. The provision would be effective for tax years after 2017.	Not addressed.	<u>House</u> H.R. 1, §3505	§45I
Modifications of Credit for Production from Advanced Nuclear Power Facilities	Under the bill, the credit allocation process would be clarified and a new credit transfer provision would be added with respect to certain public entities. Certain public entities would be eligible for an election to transfer advanced nuclear production tax credits to specified project participants. The provisions would be effective for tax years beginning after date of enactment.	Not addressed.	<u>House</u> H.R. 1, §3506	§45J
Interest Expense Deduction	Effective for tax years beginning after 2017, the bill would limit the deduction for net interest expenses incurred by a business in excess of 30% of the business's adjusted taxable income.	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.	<u>House</u> H.R. 1, §3301 <u>Senate</u> JCT, III.C.1.	§163(j)

Corporate and Business				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Section 179 Expensing	<p>Effective for tax years 2018 through 2022, the bill would increase the business expensing limitation to \$5 million and the phase out amount to \$20 million. The new limitations would be adjusted for inflation.</p> <p>Effective beginning after Nov. 2, 2017, §179 property would include qualified energy efficient heating and air-conditioning property.</p>	<p>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.</p> <p>The plan would expand the definition of §179 property to include certain depreciable tangible personal property (property used to furnish lodging).</p> <p>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.</p>	<p><u>House</u> H.R. 1, §3201</p> <p><u>Senate</u> JCT, III.B.1.</p>	§179
Small Business Exception from Limitation on Deduction of Business Interest	<p>Under the bill, businesses with average annual gross receipts of \$25 million or less would be exempt from the interest limitation rules (described in §3301 of the bill). This provision would be effective for tax years beginning after Dec. 31, 2017.</p>	<p>Under the plan, businesses that satisfy the \$15 million gross receipts test would be exempt from the interest limitation rules (described in JCT. III.C.1.). This provision would be effective for tax years beginning after Dec. 31, 2017.</p>	<p><u>House</u> H.R. 1, §3203</p> <p><u>Senate</u> JCT, III.C.1.</p>	§163(j)

Corporate and Business				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
NOL Deduction	The bill would allow a taxpayer to deduct an NOL carryover or carryback of up to 90% of the taxpayer's taxable income. Additionally, the bill would generally repeal all carrybacks but for a special one-year carryback for small businesses and farms in the event of certain casualty and disaster losses arising in tax years beginning after 2017. Under the bill, any net operating loss, specified liability loss, excess interest loss, or eligible loss, carryback would be permitted in a tax year beginning in 2017, unless the NOL is attributable to the increased expensing allowed under §3101 of the bill. The bill would also allow NOLs arising in tax years beginning after 2017 that are carried forward to be increased by an interest factor. Also, under the bill, NOL carryforwards could be carried forward indefinitely, rather than 20 years as is the case currently.	<p>The plan would limit the NOL deduction to 90% of taxable income and provide that amounts carried to other years be adjusted to account for the limitation.</p> <p>The plan would eliminate carrybacks (except for farming losses) but allow unused losses to be carried forward indefinitely.</p>	<p><u>House</u> H.R. 1, §3302</p> <p><u>Senate</u> JCT, III.C.5.</p>	§172
Like-Kind Exchanges of Real Property	The bill would limit deferral of gain on like-kind exchanges after 2017 to real property.	The plan would limit the nonrecognition of gain in the case of like-kind exchanges to real property that is not held primarily for sale. This portion of the plan would generally apply to exchanges completed after Dec. 31, 2017. However, an exception is provided for any exchange if either the property being exchanged or received is exchanged or received on or before Dec. 31, 2017.	<p><u>House</u> H.R. 1, §3303</p> <p><u>Senate</u> JCT, III.C.5.</p>	§1031

Corporate and Business

Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Deductions for Income Attributable to Domestic Production Activities	<p>Effective for tax years beginning after 2017, the bill would repeal the deduction allowed for domestic production activities.</p> <p>The deduction would be extended for activities in Puerto Rico for tax years beginning before January 1, 2018.</p>	<p>Effective for tax years beginning after Dec. 31, 2018, the plan would repeal the deduction allowed for domestic production activities.</p> <p>Application of deduction to Puerto Rico activities not addressed.</p>	<p><u>House</u> H.R. 1, §3306</p> <p><u>Senate</u> JCT, III.D.1.</p>	<p>§199</p>

Corporate and Business				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Entertainments, etc. Expenses	<p>The bill would disallow deductions for entertainment, amusement or recreation activities under all circumstances. In addition, no deduction would be allowed for transportation fringe benefits, benefits in the form of on-premises gyms and other athletic facilities, or for personal amenities provided to an employee that are not directly related to the employer's trade or business, except to the extent that the benefit is treated as taxable compensation to the employee. The bill would also disallow deductions for reimbursed entertainment expenses paid as part of a reimbursement arrangement involving a tax-indifferent party. This provision would be effective for amounts paid or incurred after 2017.</p>	<p>No deduction would be allowed generally for entertainment, amusement, or recreation; membership dues for a club organized for business, pleasure, recreation, or other social purposes; or a facility used in connection with any of the above.</p> <p>The plan would repeal the exception to the deduction disallowance for entertainment, amusement, or recreation that is directly related to (or, in certain cases, associated with) the active conduct of the taxpayer's trade or business (and the related rule applying a 50% limit).</p> <p>Deduction for 50% of food and beverage expenses associated with operating a trade or business generally would be retained.</p> <p>Would expand 50% limit to include employer expenses associated with providing food and beverages to employees through an eating facility meeting de minimis fringe requirements.</p> <p>The plan would disallow deductions for expenses associated with providing any qualified transportation fringe to employees, and except for ensuring employee safety, any expense incurred for providing transportation (or any payment or reimbursement) for commuting between the employee's residence and place of employment. Applicable to amounts paid or incurred after Dec. 31, 2017</p>	<p><u>House</u> H.R. 1, §3307</p> <p><u>Senate</u> JCT, III.D.2.</p>	<p>§274</p>

Corporate and Business				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Deduction for FDIC Premiums	Effective for tax years beginning after 2017, the bill would limit the current deduction for FDIC premiums to institutions with consolidated assets over \$10 billion.	Same as the House bill.	<u>House</u> H.R. 1, §3309 <u>Senate</u> JCT, III.G.1.	§162
Self-Created Property not Treated as a Capital Asset	The bill would treat gain or loss from the disposition of a self-created patent, invention, model or design, or secret formula or process as ordinary in character. The bill would also repeal the election to treat musical composition and copyright in musical works as a capital asset. This provision would be effective for disposition of such property after 2017.	Not addressed.	<u>House</u> H.R. 1, §3311	§1221
Uniform Treatment of Expenses In Contingency Fee Cases	The bill would disallow an immediate deduction for litigation costs advanced by an attorney to a client in contingent fee litigation until such time as the contingency is resolved. The provision would be apply to expenses and costs paid or incurred in tax years beginning after the date of enactment.	Not addressed.	<u>House</u> H.R. 1, §3316	§162(q) (new)
Sale or Exchange of Patents	Effective for dispositions after 2017, the bill would repeal the special rule treating the transfer of a patent before its commercial exploitation as long-term capital gain.	Not addressed.	<u>House</u> H.R. 1, §3312	§1235

Corporate and Business				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Amortization of Research and Experimental Expenditures	The bill would provide that research or experimental expenditures, including software development expenditures, must be capitalized and amortized over a 5-year period (15 years if expenditures are attributable to foreign research). Land acquisition and improvement costs and mine exploration costs would not be subject to this rule. This rule would apply to research or experimental expenditures paid or incurred during tax years beginning after Dec. 31, 2022.	Not addressed.	<u>House</u> H.R. 1, §3315	§174
Research and Development Credit	Would preserve the research and development credit.	Would preserve the research and development credit.	<u>House</u> Explicitly preserved in talking points. <u>Senate</u> Explicitly preserved in policy highlights.	§41
Low Income Housing Credit	Would preserve the low-income housing tax credit.	Would preserve the low-income housing tax credit.	<u>House</u> Explicitly preserved in talking points. <u>Senate</u> Explicitly preserved in policy highlights	§42

Corporate and Business				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Credit for Clinical Testing Expenses for Certain Drugs and Rare Diseases	The bill would repeal the 50% credit for clinical testing expenses ("orphan drug credit") for certain drugs and rare diseases.	<p>The plan would limit the orphan drug credit to 50% of so much of qualified clinical testing expenses for the taxable as exceeds 50% of the average qualified clinical testing expenses for the three tax years before the tax year for which the credit is being determined. If there are no qualified clinical expenses during at least one of those years, the credit would equal 25% of qualified expenses. Aggregation and other special rules (similar to those applicable to the research credit) would apply where there are controlled groups of corporations, estates and trusts claiming the credit, mergers and acquisitions of taxpayers, and short taxable years. Taxpayers would also be able to elect a reduced credit in lieu of reducing otherwise allowable deductions (similar to the research credit under §280C).</p> <p>The plan would also limit qualified clinical testing expenses to the extent that they are related to the use of a drug previously approved under the Federal Food, Drug, and Cosmetic Act for the treatment of any other disease or condition that affects more than 200,000 people in the United States.</p> <p>The proposal would be effective for amounts paid or incurred in tax years beginning after Dec. 31, 2017.</p>	<p><u>House</u> H.R. 1, §3401</p> <p><u>Senate</u> JCT, III.F.1.</p>	§45C

Corporate and Business

Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Employer-Provided Child Care Credit	The bill would repeal the employer-provided child care credit. Under current law, employers may claim a credit of up to \$150,000 equal to 25% of qualified expenses for employee child care and 10% of qualified expenses for child-care resource and referral services.	Not addressed.	<u>House</u> H.R. 1, §3402	§45F
Rehabilitation Credit	The bill would repeal the rehabilitation tax credit, which provides an incentive for the rehabilitation of certain real property. The bill would provide a transition rule for expenditures that are incurred through the end of a 24-month period, which is required to begin within 180 days after Jan. 1, 2018.	The plan would repeal the 10% 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 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.	<u>House</u> H.R. 1, §3403 <u>Senate</u> JCT, III.F.2.	§47
Work Opportunity Tax Credit	The bill would repeal the work opportunity credit, which is a nonrefundable tax credit for a portion (40%) of wages paid to certain employees who qualify as members of disadvantaged groups.	Not addressed.	<u>House</u> H.R. 1, §3404	§51
Unused Business Credits	The bill would repeal the deduction for any unused business credits that remain after they are carried back one year and forward 20 years.	Effective for tax years beginning after Dec. 31, 2017, the plan would repeal the deduction for certain unused business credits that remain after they are carried back one year and forward 20 years.	<u>House</u> H.R. 1, §3405 <u>Senate</u> JCT, III.F.3.	§196

Corporate and Business				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
New Markets Tax Credit	The bill would terminate the new markets tax credit, which is a credit available for taxpayers investing in qualified community development entities. The program was extended to 2019, but the bill would end the program at the end of 2017. The bill would permit the usage of credits that have previously been allocated for up to seven years.	Not addressed.	<u>House</u> H.R. 1, §3406	§45D(f)
Credit for Expenditures for Disabled Individuals	The bill would eliminate the credit for expenditures to provide access to disabled individuals for expenditures incurred after 2017. Under current law, small-business taxpayers may claim a 50% credit per year for expenditures of between \$250 and \$10,250 for provided access to disabled individuals.	Not addressed.	<u>House</u> H.R. 1, §3407	§44
Private Activity Bond Reforms	The bill would repeal tax-exempt status for qualified private activity bonds and terminate the qualified bond classifications.	Not addressed.	<u>House</u> H.R. 1, §3601	§103(b)(1), §141, §142-§147
Advance Refunding Bonds	The bill would repeal advance refunding bonds for all types of bond issues.	The plan would repeal the exclusion from gross income of interest on a bond issued to advance refund another bond.	<u>House</u> H.R. 1, §3602 <u>Senate</u> JCT, III.G.2.	§149(d)
Tax Credit Bonds	The bill would repeal the authority to issue new tax credit bonds.	Not addressed.	<u>House</u> H.R. 1, §3603	§54-§54AA

Corporate and Business				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Professional Sports Stadium Construction	The bill would disallow tax-exempt status for bond issues where the proceeds financed a professional sports facility which is used for professional sports exhibitions, games, or training at least five days during any calendar year.	Not addressed.	<u>House</u> H.R. 1, §3604	§103(b)
Net Operating Losses of Life Insurance Companies	The bill would modify the net operating loss deduction of life insurance companies by adopting the general rules provided for in §172 and repealing the current loss rules in §810 and §844.	The plan would repeal the operations loss deduction for life insurance companies, but would allow the NOL deduction under §172, which would be determined by treating the NOL for any tax year generally as the excess of the life insurance deductions for that year over the life insurance gross income for that year. The proposal would be effective for losses arising in tax years beginning after Dec. 31, 2017.	<u>House</u> H.R. 1, §3701 <u>Senate</u> JCT, III.I.1.	§172, §805, §810, §844
Small Life Insurance Companies	The bill would repeal the small life insurance company deduction.	Effective for tax years beginning after Dec. 31, 2017, the plan would repeal the small life insurance company deduction.	<u>House</u> H.R. 1, §3702 <u>Senate</u> JCT, III.I.2.	§806
Surtax on Life Insurance Taxable Income	The bill would add an 8% surtax on life insurance company taxable income.	Not addressed.	<u>House</u> H.R. 1, §3703	§801
Adjustment in Computing Life Insurance Company Reserves	The bill would treat an adjustment in computing life insurance company reserves as a change in method of accounting subject to a §481 adjustment and made with the consent of the IRS.	Under the plan, income or loss resulting from a change in method of computing life insurance company reserves would be taken into account consistent with IRS procedures (generally ratably over a four-year period).	<u>House</u> H.R. 1, §3704 <u>Senate</u> JCT, III.I.3.	§807(f)

Corporate and Business				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Dividends Received Deduction for Life Insurance Companies	The bill would modify the proration rules under §812 for determining the appropriate share of the dividends received deduction.	Not addressed.	<u>House</u> H.R. 1, §3705	§812
Property and Casualty Insurance Companies	The bill would modify the proration and the discounting rules used by property and casualty insurance companies.	Would replace the 15% reduction under present law with a reduction equal to 5.25% divided by the top corporate tax rate. For 2018, the top corporate rate would be 35% but for 2019 and after, the top corporate rate would be 20%.	<u>House</u> H.R. 1, §3706 <u>Senate</u> JCT, III.I.5.	§832(b)(5), §846
Estimated Tax Payments of Insurance Companies	The bill would repeal the special estimated tax payment rule applicable to insurance companies required to discount unpaid losses.	The plan would modify the proration and discounting rules by requiring a reduction in losses equal to 5.25% divided by the applicable top corporate tax rate. Effective for tax years beginning after Dec. 31, 2017.	<u>House</u> H.R. 1, §3708 <u>Senate</u> JCT, III.I.6.	§847
Certain Policy Acquisition Expenses	The bill would modify the percentages of premiums required to be capitalized under the specified policy acquisition expense rules.	The plan would extend the amortization period for specified policy acquisition expenses to the 600-month period beginning with the first month in the second half of the tax year. The plan would also modify the percentage of premiums required to be capitalized. Effective for tax years beginning after Dec. 31, 2017.	<u>House</u> H.R. 1, §3710 <u>Senate</u> JCT, III.I.7.	§848

Corporate and Business				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Special Rule for Distributions to Shareholders from Pre-1984 Policyholders Surplus Account	<p>The bill would repeal §815 and related items effective for tax years beginning after Dec. 31, 2017.</p> <p>For any stock life insurance company that has a balance (determined at the close of the last tax year beginning before Jan. 1, 2018) in an existing policyholders surplus account, the tax imposed by §801 for the first eight tax years beginning after Dec. 31, 2017, would be the amount that would be imposed by §801 for such year on the sum of the life insurance company taxable income for such year plus 1/8 of such balance.</p>	<p>The plan would repeal special rules imposing income tax on distributions to shareholders from the policyholders surplus account of a stock life insurance company.</p> <p>For any stock life insurance company with an existing policyholders surplus account, tax would be imposed on the balance of the account as of Dec. 31, 2017. A life insurance company would be required to pay tax on the balance of the account ratably over the first eight years beginning after Dec. 31, 2017.</p> <p>Effective for tax years beginning after Dec. 31, 2017.</p>	<p><u>House</u> H.R. 1 §3705</p> <p><u>Senate</u> JCT, III.I.4.</p>	<p>§815</p>
Tax Reporting for Life Settlement Transactions, Tax Basis of Life Insurance Contracts, and Exception to Transfer for Valuable Consideration Rules	<p>Not addressed.</p>	<p>The plan would impose reporting requirements on the purchase of an existing life insurance contract in a reportable policy sale. The plan would additionally impose reporting requirements on the payor in the case of the payment of reportable death benefits.</p> <p>Reporting requirements would be effective for reportable policy sales occurring after Dec. 31, 2017, and reportable death benefits paid after Dec. 31, 2017.</p> <p>Effective for transfers occurring after Dec. 31, 2017, the plan would modify the transfer for value rules in a transfer of an interest in a life insurance contract in a reportable policy sale.</p> <p>Effective for transactions entered into after Aug. 25, 2009, the plan would set forth rules for determining the basis of a life insurance or annuity contract.</p>	<p><u>Senate</u> JCT, III.I.8.</p>	<p>§101</p>

Pass-Through Entities				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Pass-Through Tax Treatment	<p>After 2017, 25% maximum tax rate on portion of pass-through entity net income distributions treated as business income (remaining portion of distributions treated as wage income subject to individual income tax rates). Owners or shareholders receiving distributions from active business activities would be able to elect to: (1) treat 30% as business income and 70% as wage income, or (2) determine ratio of business income to wage income based on capital investment. Owners or shareholders receiving distributions from passive business activities would be able to treat 100% as business income. Certain personal service businesses (e.g., businesses involving the performance of services in the fields of law, accounting, consulting, engineering, financial services, or performing arts) would not be eligible for the pass-through rate. Transition rules would apply.</p> <p>The bill would provide a 9% tax rate, in lieu of the proposed 12%, for the first \$75,000 (\$37,500 for unmarried individuals, \$56,250 for heads of household) in net business taxable income of an active owner or shareholder earning less than \$150,000 (\$75,000 for unmarried individuals, \$112,500 for heads of household) in taxable income through a pass-through business. As taxable income exceeds \$150,000, the benefit of the 9% rate relative to the 12% rate would be reduced, and it would be fully phased out at</p>	<p>Deduction for pass-through entities in lieu of changing rates.</p> <p>After 2017, would generally allow an individual taxpayer to deduct 17.4% of domestic qualified business income from a partnership, S corporation, or sole proprietorship. Qualified business income would not include income from specified service trades or businesses, i.e., those involving the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees, except in the case of a taxpayer whose taxable income does not exceed a threshold amount (subject to phaseout).</p> <p>Qualified business income would not include any reasonable compensation paid by an S corporation, any amount allocated or distributed by a partnership to a partner who is acting other than in his or her capacity as a partner for services, or any amount that is a guaranteed payment for services actually rendered to or on behalf of a partnership.</p> <p>The deduction would be limited to 50% of W-2 wages of a taxpayer who has qualified</p>	<p><u>House</u> H.R.1 §1004</p> <p><u>Senate</u> JCT, I.B.1.</p>	<p>§1, §4 (new), §701, §1366</p>
Pass-Through Tax				

Pass-Through Entities				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Treatment (cont.)	\$225,000. Businesses of all types would be eligible for the preferential 9% rate, and such rate would apply to all business income up to the \$75,000 level. The 9% rate would be phased in, so that the rate for 2018 and 2019 would be 11% and the rate for 2020 and 2021 would be 10%.	<p>business income from a partnership or S corporation.</p> <p>While qualified business income or loss would not include certain investment-related income, gain, deductions, or loss, dividends from certain cooperatives or a real estate investment trust (other than any portion that is a capital gain dividend) would be included.</p> <p>If the amount of qualified business income is less than zero for a tax year, i.e., is a loss, the amount of the loss would be carried over to the next tax year.</p>		
S Corporation Conversion to C Corporation	Effective for S corporations that revoke their S corporation elections during the two-year period beginning on the enactment date and have the same owners on both the enactment date and the revocation date, distributions from a terminated S corporation would be treated as paid from its accumulated adjustment account and from its earnings and profits. Adjustments under §481(a) would be accounted for over a six-year period.	Not addressed.	<u>House</u> H.R. 1, §3204	§481, §1371

Pass-Through Entities				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Contributions to Capital	Beginning with date of enactment, contributions to capital of partnership would be included in partnership's gross income unless exchanged for interest in partnership. Contributions in excess of fair market value of interest received would be included in gross income.	Not addressed.	<u>House</u> H.R. 1, §3304	§76 (new), §721
Substantial Built-in Loss	Not addressed.	A partnership generally does not adjust the basis of partnership property following the transfer of a partnership interest unless either the partnership has made an optional election to make basis adjustments, or the partnership has a substantial built-in loss immediately after the transfer. After 2017, the definition of a substantial built-in loss would be expanded, as it affects transfers of partnership interests. Under the current provision, a substantial built-in loss exists if the partnership's adjusted basis in its property exceeds by more than \$250,000 the fair market value of the partnership property. Under the plan, a substantial built-in loss would also exist if the transferee would be allocated a net loss in excess of \$250,000 upon a hypothetical disposition by the partnership of all partnership's assets in a fully taxable transaction for cash equal to the assets' fair market value, immediately after the transfer of the partnership interest.	<u>Senate</u> JCT, III.J.2.	§743

Pass-Through Entities				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Basis Limitation on Partner Losses	Not addressed.	After 2017, the basis limitation on the deductibility of partner losses would apply to a partner's distributive share of charitable contributions and foreign taxes, which are exempted from such limitation under the current regulations.	<u>Senate</u> JCT, III.J.3.	§704
Tax Gain on the Sale of Partnership Interest on Look-through Basis	Not addressed.	Gain or loss from the sale or exchange of a partnership interest would be effectively connected with a U.S. trade or business to the extent that the transferor would have had effectively connected gain or loss had the partnership sold all of its assets at fair market value as of the date of the sale or exchange. Any gain or loss from the hypothetical asset sale by the partnership be allocated to interests in the partnership in the same manner as nonseparately stated income and loss. Effective for sales and exchanges after Dec. 31, 2017.	<u>Senate</u> JCT, III.J.1.	§864
Technical Termination of Partnership	After 2017, technical termination rule would be repealed. A partnership would be treated as continuing even if more than 50% of the total capital and profit interest of partnership were sold or exchanged, and new elections would not be required or permitted.	Not addressed.	<u>House</u> H.R. 1, §3313	§708(b)(1)(B) (repeal)

Pass-Through Entities				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Carried Interest	After 2017, transfers of applicable partnership interests held for less than three years would be treated as short-term capital gain. This treatment would affect partnership in connection with the performance of substantial services to businesses which consist of engaging in capital market transactions or other specified investments. Certain equity interests and interests held by corporations would be exempt.	Not addressed.	<u>House</u> H.R. 1, §3314	§83, §1061, §1062 (new)

International				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
100% Deduction for Foreign-Source Portion of Dividends & Repatriation	<p>The bill would provide a 100% deduction for foreign-source portion of dividends received from “specified 10-percent owned foreign corporations” by U.S. shareholders, subject to a six-month holding period. No foreign tax credit would be permitted for foreign taxes paid or accrued with respect to a qualifying dividend.</p> <p>Accumulated foreign earnings held in cash or cash equivalents and in illiquid assets would be deemed repatriated and taxed at 14% and 7% respectively. Taxpayer may elect to pay resulting liability over eight-year period in equal annual installments of 12.5% of the total tax liability due.</p>	<p>The plan would provide a 100% deduction for foreign-source portion of dividends received from “specified 10-percent owned foreign corporations” by U.S. shareholders, subject to a one-year holding period. No foreign tax credit would be permitted for foreign taxes paid or accrued with respect to a qualifying dividend. Deduction would be unavailable for “hybrid dividends.”</p> <p>Accumulated foreign earnings held in cash or cash equivalents and in illiquid assets would be deemed repatriated and taxed at 10% and 5% respectively. Taxpayer may elect to pay resulting liability over eight-year period. Limitations period for assessment of tax on such mandatory inclusions would be extended to six years. Recapture rule imposing 35% tax rate on mandatory inclusions of a U.S. shareholder that becomes an expatriated entity with 10 years of bill’s enactment.</p>	<p><u>House</u> H.R. 1, §4001– §4004</p> <p><u>Senate</u> JCT, IV.A.</p>	<p>§91 (new), §245A (new), §246, §367, §904, §956, §961, §965</p>

International				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Foreign Tax Credit	<p>The bill would repeal the indirect foreign tax credit under §902.</p> <p>No foreign tax credit or deduction would be permitted for taxes paid or accrued with respect to exempt dividends.</p> <p>Income from sale of inventory would be sourced based solely on basis of production activities.</p>	<p>The plan would repeal the indirect foreign tax credit under §902. Determination of foreign tax credit §960 on a current-year basis.</p> <p>Addition of separate foreign tax credit limitation basket for foreign branch income.</p> <p>Acceleration of effective date of worldwide interest allocation election by three years.</p> <p>Income from sale of inventory sourced based solely on basis of production activities.</p>	<p><u>House</u> H.R. 1, §4101– 4102</p> <p><u>Senate</u> JCT, IV.E.</p>	<p>§902, §904, §960, §863</p>

International				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Subpart F	<p>The bill would repeal current taxation of previously excluded qualified investments under §955.</p> <p>The bill would repeal foreign base company oil related income as subpart F income under §954.</p> <p>Inflation adjustment of de minimis exception threshold for foreign base company income.</p> <p>CFC look-through exception would be made permanent.</p> <p>Stock attribution rules for determining CFC status would be modified to treat U.S. corporation as constructively owning stock held by its foreign shareholder.</p> <p>The bill would eliminate the 30-day rule in §951(a)(1).</p>	<p>The plan would expand the definition of U.S. shareholder and provide an exception to §956 for domestic corporations that are U.S. shareholders in a CFC either directly or through a domestic partnership.</p> <p>The plan would repeal current taxation of previously excluded qualified investments under §955.</p> <p>The bill would repeal foreign base company oil related income as subpart F income under §954.</p> <p>Inflation adjustment of de minimis exception threshold for foreign base company income.</p> <p>CFC look-through exception would be made permanent.</p> <p>Stock attribution rules for determining CFC status would be modified to treat U.S. corporation as constructively owning stock held by its foreign shareholder.</p> <p>The plan would eliminate the 30-day rule in §951(a)(1).</p>	<p><u>House</u> H.R. 1, §4201– §4206</p> <p><u>Senate</u> JCT, IV.C.</p>	<p>§951, §954, §955, §958, §6038</p>

International				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Base Erosion	<p>U.S. shareholders of CFCs would be subject to current U.S. taxation on 50% of “foreign high return amounts.”</p> <p>Deductible net interest expense of a U.S. corporation that is a member of an “international financial reporting group” limited would be based on U.S. corporation’s share of group’s EBITDA.</p> <p>The bill would impose a 20% excise tax on certain payments made by a U.S. corporation to a related foreign corporation, unless U.S. corporation elects to treat the payments as effectively connected income. Payments (other than interest) that are deductible, includible in costs of goods sold, or includible in the basis of a depreciable or amortizable asset would be subject to the 20% excise tax. A credit would be permitted for 80% of foreign taxes paid or accrued.</p>	<p>U.S. shareholders of CFCs would be subject to current U.S. taxation on “global intangible low-taxed income” (GILTI) with a deduction for foreign-derived intangible income. Basis adjustment rules for transfers of intangible property from CFCs to U.S. shareholders.</p> <p>Deductible net interest expense of a U.S. corporation that is a member of a “worldwide affiliated group” reduced would be based on the U.S. corporation’s net interest expense and the group’s “debt-to-equity differential percentage.”</p> <p>Revised definition of intangible property for purposes of §367(d) and §482. The plan would clarify IRS authority to specify method used with determine value of intangible property.</p> <p>The plan would deny a deduction for certain related-party amounts paid or accrued in hybrid transactions or with hybrid entities.</p> <p>The plan would repeal of domestic international sales corporation (DISC) provisions.</p> <p>Dividends received by an individual shareholder of a surrogate foreign corporation would not be eligible for reduced rate on dividends in §1(h).</p> <p>Tax would be imposed on “base erosion payments” paid or accrued by a taxpayer to a foreign related person.</p>	<p><u>House</u> H.R. 1, §4301– §4303</p> <p><u>Senate</u> JCT, IV.B., IV.D., IV.F.</p>	<p>§163, §882, §936, §951A (new), §960, §995, §4491 (new), §6038C, §6038E (new)</p>

International				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
U.S. Possessions	The bill would extend (1) the deduction allowable for income attributable to domestic production activities in Puerto Rico (for one year); (2) the temporary increase in limit on cover over of rum excise taxes to Puerto Rico and the U.S. Virgin Islands; and (3) the American Samoa economic development credit.	Not addressed.	<u>House</u> H.R. 1, §4401–§4403	§199, §7652
PFICs	PFIC insurance exception would be restricted to foreign corporations that would be taxed as an insurance company if they were U.S. corporations and if loss and loss adjustment expenses, unearned premiums, and certain reserves exceed 25% (or 10% in certain circumstances) of the foreign corporation's total assets.	PFIC insurance exception would be restricted to foreign corporations that would be taxed as an insurance company if they were U.S. corporations and if loss and loss adjustment expenses, unearned premiums, and certain reserves exceed 25% (or 10% in certain circumstances) of the foreign corporation's total assets.	<u>House</u> H.R. 1, §4501 <u>Senate</u> JCT, IV.G.2.	§1297
Limitation on Treaty Benefits	The Chairman's mark removed the amendment to §894 included in the original bill, which would have reduced the rate of withholding under an income tax treaty not permitted for a "deductible related-party payment" unless the withholding tax would have been reduced by a treaty if the payment had been made directly to the foreign parent. This provision was in §4502 of the original bill.	Not addressed.		§894

International				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Passenger Cruise Gross Income	Not addressed.	The plan would provide rules for determining whether passenger cruise foreign income of foreign corporations and nonresident aliens is effectively connected with a U.S. trade or business subject such income to net income taxation. Cruise income would be ineligible for reciprocal exemptions under §873 and §883.	<u>Senate JCT</u> , IV.G.1.	I.R.C. §873, §883
Interest Expense Apportionment	Not addressed.	Interest expense allocated among members of U.S. affiliated group would be based on adjusted tax basis of assets, as opposed to fair market value under current law.	<u>Senate JCT</u> , IV.G.3.	I.R.C. §864

Compensation and Benefits				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Archer Medical Savings Accounts (Archer MSAs)	No deduction would be allowed for contributions to an Archer MSA. Employer contributions to an Archer MSA would not be excluded from income. Existing Archer MSA balances could continue to be rolled over on a tax-free basis to an HSA. Applicable to tax years beginning after Dec. 31, 2017.	Not addressed.	<u>House</u> H.R. 1, § 1311	§106, §220, §223, §4980E, §4980G
Dependent Care Assistance Programs	Originally slated to be repealed, the dependent care assistance exclusion available to employees for amounts paid or incurred by an employer would sunset. The sunset would apply as of tax years beginning after Dec. 31, 2022.	Not addressed.	<u>House</u> H.R. 1, § 1404	§129(a)
Qualified Bicycle Commuting Reimbursement	Not addressed directly. However, no deduction would be allowed for transportation fringe benefits (including bicycle commuting reimbursement).	Would repeal the exclusion from gross income and wages for qualified bicycle commuting reimbursements. Effective for tax years beginning after Dec. 31, 2017.	<u>Senate</u> JCT, I.D.9.	§132, §274
Recharacterization of Certain IRA and Roth IRA Contributions	Would strike §408A(d)(6), which permits taxpayers to recharacterize a contribution to a traditional IRA as a contribution to a Roth IRA, or vice versa, and permits taxpayers to recharacterize a conversion of a traditional IRA to a Roth IRA. Would be effective for tax years beginning after Dec. 31, 2017.	Not addressed.	<u>House</u> H.R. 1, § 1501	§408A(d)

Compensation and Benefits				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
In-Service Distributions from Certain Retirement Plans	Would bring parity to state and local government defined contribution plans and defined benefit plans with all other defined contribution plans by allowing in-service distributions to commence as early as age 59½. Applicable to plan years beginning after Dec. 31, 2017.	Not addressed.	<u>House</u> H.R. 1, § 1502	§401(a)(36), §457(b), §457(d)
Conformity of Contribution Limits for Employer-Sponsored Retirement Plans	Not addressed.	<p>Would apply a single aggregate limit to contributions to governmental plans and elective deferrals for the same employee under a §401(k) plan or §403(b) plan of the same employer. Would repeal rules allowing additional elective deferrals and catch-up contributions under §403(b) plans and governmental §457(b) plans.</p> <p>Would repeal the rule allowing employer contributions to §403(b) plans for up to five years after termination of employment.</p> <p>Would revise the limit on aggregate contributions to a qualified defined contribution plan or a §403(b) plan (that is, the lesser of (1) \$54,000 (for 2017) and (2) the employee's compensation). As revised, a single aggregate limit would apply to contributions for an employee to any defined contribution plans, any §403(b) plans, and any governmental § 457(b) plans maintained by the same employer, including any members of a controlled group or affiliated service group. Would be effective for plan years and taxable years beginning after Dec. 31, 2017.</p>	<u>Senate</u> JCT, III.M.1.	§401(k), §403(b), §457(b)

Compensation and Benefits				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
10% Penalty Early Withdrawal Tax to Governmental §457(b) Plans	Not addressed.	Unless an exception applied, the early withdrawal tax would apply to a distribution from a governmental §457(b) plan before age 59½ to the extent the distribution was includible in income. Effective for tax years beginning after Dec. 31, 2017.	<u>Senate</u> JCT, III.M.2.	§457(b)
Elimination of Catch-Up Contributions for High-Wage Employees	Not addressed.	An employee would not be permitted to make catch-up contributions for a year if the employee received wages of \$500,000 or more for the preceding year. Effective for plan years and taxable years beginning after Dec. 31, 2017.	<u>Senate</u> JCT, III.M.3.	§401(a), §403(a), §403(b), §408(k), §408(p), and §457(b)
Hardship Distributions from Retirement Plans -- Employee Contributions	No later than 1 year after date of enactment, IRS would have to amend its guidance that currently does not allow an employee to make contributions for 6 months after receiving a hardship distribution, to allow an employee taking a hardship distribution to continue making contributions to the plan.	Not addressed.	<u>House</u> H.R. 1, §1503	§401(k); Reg. §1.401(k)-1(d)(3)(iv)(E)
Hardship Distributions from Retirement Plans -- Amounts Eligible for Withdrawal	Plan sponsors would be able to allow employees to take hardship distributions from a plan using account earnings and employer contributions, in addition to employee contributions. Applicable to plan years beginning after Dec. 31, 2017.	Not addressed.	<u>House</u> H.R. 1, §1504	§401(k)(14) (new)

Compensation and Benefits				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Rollovers of Plan Loan Offsets	An employee who has taken a plan loan would have until the due date for filing the employee's tax return for that year to contribute the loan balance to an IRA (instead of the current 60 days) to avoid having the loan amount treated as a taxable distribution. This rule would apply to employees whose plans terminate or who separate from employment while having a plan loan outstanding. Applicable to tax years beginning after Dec. 31, 2017.	Not addressed.	<u>House</u> H.R. 1, § 1505	§402(c)(3) (new)
Qualified Plan Nondiscrimination Rules	Would allow employers sponsoring closed/frozen defined benefit plans to more easily meet applicable nondiscrimination requirements that they might otherwise violate, especially with respect to cross-tested plans. Generally effective on the date of enactment.	Not addressed.	<u>House</u> H.R. 1, § 1506	§401(a)(4), §401(o) (redesignated), §410
Credit for Social Security Taxes Paid on Restaurant Tips	Credit for portion of employer social security taxes paid with respect to restaurant employee tips would be modified to reflect current minimum wage. Restaurants with less than 10 employees would now be required to report tip allocations. Applicable to tax years beginning after Dec. 31, 2017.	Not addressed.	<u>House</u> H.R. 1, § 3408	§45B

Compensation and Benefits				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Nonqualified Deferred Compensation	<p>Earlier version of the House bill would have eliminated exceptions to taxation of nonqualified deferred compensation as soon as there is no substantial risk of forfeiture, and would have added a new I.R.C. section.</p> <p>Subsequent amendments to the bill struck the provision. Current law, including §409A, would be retained.</p>	<p>Nonqualified deferred compensation would be includible when there is no substantial risk of forfeiture. A substantial risk of forfeiture would occur only when the rights are conditioned on the future performance of substantial services. A covenant not to compete would not create a substantial risk of forfeiture.</p> <p>The plan would apply to all stock options and SARs. No exceptions would be provided in regulations or other administrative guidance. Statutory options would not be considered nonqualified deferred compensation for purposes of the plan. An exception would be apply to a transfer of property under §83 (other than nonstatutory stock options), or a trust to which §402(b) applies, or relating to statutory options under §422 or §423 for which there is no disqualifying disposition.</p> <p>Generally would apply to amounts attributable to services performed after Dec. 31, 2017.</p>	<p><u>Senate JCT</u>, III.H.1.</p>	<p>§409A, §457A</p>

Compensation and Benefits

Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Deduction for Excessive Employee Remuneration	<p>The \$1 million yearly limit on the deduction for compensation with respect to a covered employee of a publicly traded corporation would be modified. The exceptions for commissions and performance-based compensation would be repealed. "Covered employees" would include the CEO, CFO and the 3 highest paid employees. Once an employee qualifies as a covered employee, the deduction limitation would apply to that person so long as the corporation pays remuneration to that person (or to any beneficiaries). Applicable to tax years beginning after Dec. 31, 2017.</p>	<p>Definition of "covered employee" would include the 3 most highly compensated officers for the taxable year (other than the principal executive officer or principal financial officer) who are required to be reported on the company's proxy statement for the taxable year (or who would be required to be reported on such a statement for a company not required to report). A covered employee for a tax year beginning after Dec. 31, 2016, would remain a covered employee for all future years. Would eliminate exceptions for commissions and performance-based compensation. Applicable to tax years beginning after Dec. 31, 2017.</p>	<p><u>House</u> H.R.1, §3801</p> <p><u>Senate</u> JCT, III.H.2.</p>	<p>§162(m)(2) through §162(m)(4)</p>

Compensation and Benefits

Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Qualified Equity Grants	<p>Would create new election to defer recognition of gain for up to 5 years for employees of nonpublic companies who are granted stock options or restricted stock units (RSUs). Elections would apply only to stock of the employee's employer and the options or RSUs would have to be granted in connection with the performance of services by the employee. A written plan would have to provide that at least 80% of the employees of the company would be granted stock options or RSUs with the same rights and privileges. Certain employees would not be permitted to make the election, such as 1% owners, the chief executive officer, and chief financial officer. RSUs would not be eligible for a §83(b) election and receipt of qualified stock would not be treated as a nonqualified deferred compensation plan for purposes of §409A. Subject to a transition rule, these provisions would apply to stock attributable to options exercised, or RSUs settled, after Dec. 31, 2017.</p>	<p>Not addressed.</p>	<p><u>House</u> H.R. 1, §3803</p>	<p>§83(i) (new)</p>

Compensation and Benefits				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Worker Classification, Withholding and Reporting	Not addressed.	<p>Would provide a safe harbor if: (1) the service provider is not treated as an employee, (2) the service recipient is not treated as an employer, (3) a payor is not treated as an employer, and (4) the compensation paid or received for the service is not treated as paid or received with respect to employment. Would amend the direct seller rules under §3508 to include a person engaged in the trade or business of selling, or soliciting the sale of, promotional products from other than a permanent retail establishment. A service provider would be any qualified person who performs service for another person, and a qualified person would be any natural person or any entity if any of the services performed for another person are performed by one or more natural persons who directly own interests in the entity.</p> <p>Services would have to be pursuant to a written contract, the term of which would not exceed 2 years, subject to renewal.</p> <p>A withholding requirement would apply. The amount required to be withheld would be 5% of the compensation and only on compensation up to \$20,000 paid pursuant to the contract. Would increase the reporting threshold for two categories of reportable payments from aggregate payments of \$600 or more to \$1,000 or more. Applicable to payments made after Dec. 31, 2018.</p>	Senate JCT, III.K.	§3121, §3508, §6031 through §6060

Individual				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Tax Rates	<p><u>Individual Income Tax Rates</u> The bill would have four tax brackets: 12 percent, 25 percent, 35 percent, and 39.6 percent, in addition to an effective fifth bracket at zero percent in the form of the enhanced standard deduction.</p> <p><u>Married Filing Jointly (Surviving Spouses):</u> 12% (Taxable income not over \$90,000) 25% (Over \$90,000 but not over \$260,000) 35% (Over \$260,000 but not over \$1,000,000) 39.6% (Over \$1,000,000)</p> <p><u>Married Filing Separately:</u> 12% (Taxable income not over \$45,000) 25% (Over \$45,000 but not over \$130,000) 35% (Over \$130,000 but not over \$500,00) 39.6% (Over \$500,000)</p> <p><u>Head of Household:</u> 12% (Taxable income not over \$67,500) 25% (Over \$67,500 but not over \$200,000) 35% (Over \$200,000 but not over \$500,000) 39.6% (Over \$500,000)</p> <p><u>Other Individuals:</u> 12% (Taxable income not over \$45,000) 25% (Over \$45,000 but not over \$200,000) 35% (Over \$200,000 but not over \$500,000) 39.6% (Over \$500,000)</p>	<p><u>Individual Income Tax Rates</u> The plan would have seven tax brackets: 10 percent, 12 percent, 22.5 percent, 25 percent, 32.5 percent, 35 percent, and 38.6 percent.</p> <p><u>Married Filing Jointly (Surviving Spouses):</u> 10% (Taxable income not over \$19,050) 12% (Over \$19,050 but not over \$77,400) 22.5% (Over \$77,400 but not over \$120,000) 25% (Over \$120,000 but not over \$290,000) 32.5% (Over \$290,000 but not over \$390,000) 35% (Over \$390,000 but not over \$1,000,000) 38.5% (Over \$1,000,000)</p> <p><u>Married Filing Separately:</u> 10% (Taxable income not over \$9,525) 12% (Over \$9,525 but not over \$38,700) 22.5% (Over \$38,700 but not over \$60,000) 25% (Over \$60,000 but not over \$145,000) 32.5% (Over \$145,000 but not over \$195,000) 35% (Over \$195,000 but not over \$500,000) 38.5% (Over \$500,000)</p> <p><u>Head of Household:</u> 10% (Taxable income not over \$13,600) 12% (Over \$13,600 but not over \$51,800) 22.5% (Over \$51,800 but not over \$60,000) 25% (Over \$60,000 but not over \$170,000) 32.5% (Over \$170,000 but not over \$200,000) 35% (Over \$200,000 but not over \$500,000) 38.5% (Over \$500,000)</p>	<p><u>House</u> H.R. 1, §1001</p> <p><u>Senate</u> JCT, I.A.1.</p>	<p>§1, §11(b), §15, §63(c)(2)(A), §911(d)(2), §6013(c), §7706(c)(1)(D)</p>

Individual				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Tax Rates (cont.)	<p>The income levels would be indexed for inflation using the Chained Consumer Price Index for All Urban Consumers (C-CPI-U) for tax years beginning after 2018.</p> <p>The bill would, for high-income taxpayers, impose a phase out of the tax benefit of the 12% bracket. It would impose an increase in tax at 6% of any excess of adjusted gross income over \$1,200,000 in the case of a joint return or surviving spouses, \$600,000 in the case of a married individual filing separately, and \$1,000,000 for any other individual. These amounts will be adjusted for inflation using C-CPI-U for tax years beginning after 2018.</p> <p><u>Capital Gains Tax Rates</u></p> <p>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:</p> <p><u>Married Filing Jointly (and Surviving Spouses):</u> 15% Rate Threshold - \$77,200 20% Rate Threshold - \$479,000</p> <p><u>Married Filing Separately:</u> 15% Rate Threshold - \$38,600 20% Rate Threshold - \$239,500</p>	<p><u>Single Individuals:</u> 10% (Taxable income not over \$9,525) 12% (Over \$9,525 but not over \$38,700) 22.5% (Over \$38,700 but not over \$60,000) 25% (Over \$60,000 but not over \$170,000) 32.5% (Over \$170,000 but not over \$200,000) 35% (Over \$200,000 but not over \$500,000) 38.5% (Over \$500,000)</p> <p>The income levels would be indexed for inflation using the Chained Consumer Price Index for All Urban Consumers (C-CPI-U) for tax years beginning after 2018.</p> <p><u>Capital Gains Tax Rates</u></p> <p>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:</p> <p><u>Married Filing Jointly (and Surviving Spouses):</u> 15% Rate Threshold - \$77,200 20% Rate Threshold - \$479,000</p> <p><u>Married Filing Separately:</u> 15% Rate Threshold - \$38,600 20% Rate Threshold - \$239,500</p>	<p><u>House</u> H.R. 1, §1001</p> <p><u>Senate</u> JCT, I.A.1.</p>	<p>§1, §11(b), §15, §63(c)(2)(A), §911(d)(2), §6013(c), §7706(c)(1)(D)</p>

Individual				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Tax Rates (cont.)	<p><u>Head of Household:</u> 15% Rate Threshold - \$51,700 20% Rate Threshold - \$452,400</p> <p><u>Other Individuals:</u> 15% Rate Threshold - \$38,600 20% Rate Threshold - \$425,800</p> <p>The above 15% and 20% threshold amounts would be adjusted for inflation beginning in tax years after 2018.</p> <p>The bill would make this provision effective for tax years beginning after 2017.</p>	<p><u>Head of Household:</u> 15% Rate Threshold - \$51,700 20% Rate Threshold - \$452,400</p> <p><u>Other Individuals:</u> 15% Rate Threshold - \$38,600 20% Rate Threshold - \$425,800</p> <p>The above 15% and 20% threshold amounts would be adjusted for inflation beginning in tax years after 2017.</p> <p>The plan would make this provision effective for tax years beginning after 2017.</p>	<p><u>House</u> H.R. 1, §1001</p> <p><u>Senate</u> JCT, I.A.1.</p>	
Standard Deduction	<p>The bill would increase the standard deduction to the following amounts: \$24,400 (joint return or a surviving spouse) \$18,300 (unmarried individual with at least one qualifying child) \$12,200 (for single filers)</p> <p>The bill would make these rates effective for tax years beginning after 2017. Additionally, the bill would provide that these amounts be adjusted for inflation using the C-CPI-U beginning in tax years after 2019.</p>	<p>Would increase the standard deduction to the following amounts: \$24,000 (joint return or a surviving spouse) \$18,000 (unmarried individual with at least one qualifying child) \$12,000 (for single filers)</p> <p>The plan would retain the enhanced standard deduction for the blind and elderly that is available under current law.</p>	<p><u>House</u> H.R. 1, §1002</p> <p><u>Senate</u> JCT, I.A.2.</p>	<p>§1(c)(2)(A), §2(a), §32, §63(c), §7706</p>

Individual				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Personal Exemptions	The bill would repeal the deduction for personal exemptions, which would be effective for tax years beginning after Dec. 31, 2017.	The plan would repeal the deduction for personal exemptions, which would be effective for tax years beginning after Dec. 31, 2017.	<u>House</u> H.R. 1, § 1003 <u>Senate</u> JCT, I.A.3.	§151, §152, §642(b), §873(b), §3402(a)(2)
Alternative Minimum Tax	The proposal would repeal the existing individual AMT.	The proposal would repeal the existing individual AMT.	<u>House</u> H.R. 1, § 2001 <u>Senate</u> JCT, II.1.	§53, §55, §56, §57
Earned Income Tax Credit	Would preserve the Earned Income Tax Credit.	Would preserve the Earned Income Tax Credit.	Preserved in House and Senate talking points	§32
Miscellaneous Itemized Deductions – 2 Percent Floor	Not directly addressed. However, the bill would deny a deduction for expenses attributable to the trade or business of performing services as an employee, except, for reimbursed expenses included in an employee's income.	Would repeal all miscellaneous itemized deductions that are subject to the 2% floor under present law.	<u>House</u> H.R. 1, § 1312 <u>Senate</u> JCT, I.D.5.	§62, §262A (new)

Individual				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Limitation on Itemized Deductions	The bill would eliminate the overall limitation on itemized deductions. Under current law, itemized deductions are limited once a taxpayer's adjusted gross income exceeds a threshold amount (\$261,500 for single individuals, \$313,800 for married couples filing joint returns and surviving spouses; \$287,650 for heads of households; \$156,900 for married individuals filing separately).	The plan would eliminate the overall limitation on itemized deductions.	<u>House</u> H.R. 1, §1301 <u>Senate</u> JCT, I.D.7.	§68
Mortgage Interest Deduction	The bill would reduce the mortgage interest deduction limitation to \$500,000 for debt incurred after Nov. 2, 2017, and the interest would only be deductible on a taxpayer's principal residence. The current limitation is \$1,000,000. For refinancing that occurred before Nov. 2, 2017, the refinanced debt would be treated as incurred on the same date as the original debt.	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).	<u>House</u> H.R. 1, §1302 <u>Senate</u> JCT, I.D.2.	§163(h)(3)
State and Local Tax Deduction	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.	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.	<u>House</u> H.R. 1, §1303 <u>Senate</u> JCT, I.D.1.	§164(b)(5)

Individual				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
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.	<p>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.</p> <p>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.</p> <p>The Senate plan does not address the standard mileage rate for charitable use of a personal vehicle.</p>	<p><u>House</u> H.R. 1, §1306</p> <p><u>Senate</u> JCT, I.D.6, III.L.6.</p>	§170
Personal Casualty Losses Deduction	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.	<p>The plan 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.</p> <p>The plan would allow taxpayers to claim a personal casualty loss if the loss was incurred as a result of federally-declared disasters.</p>	<p><u>House</u> H.R. 1, §1304</p> <p><u>Senate</u> JCT, I.D.3.</p>	§165

Individual				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Limitation on Wagering Losses Deduction	The bill would limit the itemized deduction for all expenses incurred in wager transactions to the extent of wagering winnings for tax years after 2017. Under current law, certain deductions related to gambling are available regardless of gambling winnings.	The plan would clarify the scope of losses for wagering transactions by adding that the limitation on losses includes the actual costs of wagers as well as other expenses incurred in connection with gambling activity (i.e., traveling to and from a casino).	<u>House</u> H.R. 1, §1305 <u>Senate</u> JCT, I.D.12.	§165(d)
Tax Preparation Services Deduction	The bill would eliminate the itemized deduction for tax preparation services for tax years beginning after 2017.	The plan would eliminate the itemized deduction for tax preparation services.	<u>House</u> H.R. 1, §1307 <u>Senate</u> JCT, I.D.4.	§212
Medical Expense Deduction	The bill would eliminate the itemized deduction for medical expenses for tax years beginning after 2017. Under current law, taxpayers may deduct out-of-pocket medical expenses to the extent that the medical expenses exceed 10% of the adjusted gross income.	Would preserve the current deduction for medical expenses.	<u>House</u> H.R. 1, §1308	§213
Alimony Payments Deduction	The bill would eliminate the current above-the-line deduction for alimony payments. The bill would not require the payee receiving alimony payments to include alimony payments into income. This provision would be effective for divorce decrees, separation agreements, and certain modifications entered into after 2017.	Not addressed.	<u>House</u> H.R. 1, §1309	§215

Individual				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Moving Expenses Deduction	The bill would generally eliminate the deduction that is available for moving expenses incurred when starting a new job in a new location at least 50 miles farther from the taxpayer's former residence. However, the deduction would still be available for members of the armed forces. The provision would be effective for tax years beginning after Dec. 31, 2017.	The plan would generally repeal the deduction for moving expenses. The deduction would still be available for members of the armed forces for amounts attributable to certain expenses (in-kind moving and storage expenses).	<u>House</u> H.R. 1, §1310 <u>Senate</u> JCT, I.D.11 .	§217
Expenses Attributable to the Trade or Business of Being an Employee	The bill would deny a deduction for expenses attributable to the trade or business of performing services as an employee and eliminate above-the-line deductions for performing artists, government officials, and teachers. However, the bill would preserve above-the-line deductions for reimbursed expenses included in an employee's income and for expenses for members of reserve components of the United States military.	Not directly addressed. However, the plan would repeal all miscellaneous itemized deductions that are subject to the 2% floor under present law, including expenses attributable to the trade or business of performing services as an employee.	<u>House</u> H.R. 1, §1312	§62, §262A

Individual				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Enhancement of Child Tax Credit and New Family Tax Credit	<p>Under the bill, the credit for children under age 17 would be increased to \$1,600. Alternatively, a credit of \$300 would be allowed for non-child dependents.</p> <p>In addition, a family flexibility credit of \$300 would be allowed with respect to the taxpayer (each spouse in the case of a joint return) who is neither a child nor a non-child dependent.</p> <p>The family flexibility credit and the non-child dependent credit would be effective for tax years ending before Jan. 1, 2023.</p> <p>The phase out for the combined child credit, the non-child dependent credit, and the credit for other taxpayers would be increased to \$230,000 (for joint filers), and to \$115,000 (for single filers).</p> <p>The bill would impose additional identification requirements for taxpayers claiming the child tax credit. A credit will not be allowed if a taxpayer fails to provide the name and social security number of a qualifying child on the taxpayer's tax return, or, with respect to other individuals, the individual's taxpayer identification number.</p> <p>The provision would be effective for tax years beginning after 2017.</p>	<p>The plan would preserve the child and dependent care tax credit. Under the plan, the child tax credit would be increased to \$1,650.</p> <p>The plan would increase the age limit for a qualifying child by one year so that a taxpayer may claim the credit for any qualifying child under the age of 18.</p> <p>The plan would provide a \$500 nonrefundable credit for dependents other than qualifying children (generally retaining the current law definition of dependent).</p> <p>The plan would increase the phase out for the child tax credit to \$1,000,000 (for married taxpayers filing a joint return), and \$500,000 (for all other taxpayers). These amounts are not indexed for inflation.</p> <p>The plan would lower the refundable portion of the credit threshold to \$2,500.</p> <p>The plan would index the maximum amount refundable (\$1,000) for inflation with a base year of 2017, rounding up to the nearest \$100 (the threshold in 2018 would be \$1,100).</p> <p>Additionally, the plan would require that a taxpayer provide the social security number of each qualifying child that is claimed on the tax return in order to receive the refundable portion of the child tax credit.</p>	<p><u>House</u> H.R. 1, §1101</p> <p><u>Senate</u> JCT, I.C.</p>	<p>§24</p>

Individual				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Repeal of Nonrefundable Credits	<p>Under the bill, the credit for individuals over age 65 or who have retired on disability, the tax credit associated with mortgage credit certificates, and the credit for plug-in electric drive motor vehicles would be repealed. The adoption credit would be preserved.</p> <p>The proposals repealing qualified plug-in electric drive motor vehicles would be effective for vehicles placed in service for tax years beginning after 2017.</p> <p>The other provisions would be effective for tax years beginning after 2017.</p>	<p>Would preserve the adoption tax credit. Other nonrefundable credits not addressed.</p>	<p><u>House</u> H.R. 1, §1102</p>	<p>§22, §23, §25, §30D</p>
Refundable Credit Program Integrity	<p>Under the bill, a taxpayer would be required to provide a work-eligible SSN to claim the refundable portion of the child tax credit or the American Opportunity Tax Credit.</p> <p>The IRS would be granted math error authority to adjust the returns of taxpayers failing to satisfy the identification requirements.</p> <p>In order to claim the refundable Earned Income Tax Credit, a taxpayer would be required to provide a work-eligible SSN.</p>	<p>Not addressed.</p>	<p><u>House</u> H.R. 1, §1103</p>	<p>§24, §25A, §32, §6213</p>

Individual				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
American Opportunity Tax Credit	<p>Under the bill, the three existing higher education tax credits (American Opportunity Tax Credit (AOTC), Hope Scholarship Credit (HSC), and Lifetime Learning Credit (LLC)) would be consolidated into a new, enhanced AOTC.</p> <p>The new AOTC, like the current AOTC, would provide a 100% tax credit for the first \$2,000 of certain higher education expenses and a 25% tax credit for the next \$2,000 of such expenses.</p> <p>The AOTC would also be available for a fifth year of post-secondary education at half the rate as the first four years, with up to \$500 of such credit being refundable.</p> <p>The provision would be effective for tax years beginning after 2017.</p>	<p>Would provide education relief for graduate students.</p>	<p><u>House</u> H.R. 1, §1201</p> <p><u>Senate</u> Addressed only in policy highlights</p>	<p>§25A</p>
Consolidation of Education Savings Rules	<p>Under the bill, new contributions to Coverdell education savings accounts after 2017 (except rollover contributions) would be prohibited, but tax-free rollovers from Coverdell accounts into §529 plans would be allowed.</p> <p>Elementary and high school expenses of up to \$10,000 per year would be qualified expenses for §529 plans.</p> <p>The provision would be effective for contributions and distributions made after 2017.</p>	<p>Would provide additional ways for parents to save for the education costs of their unborn children.</p>	<p><u>House</u> H.R. 1, §1202</p> <p><u>Senate</u> Addressed only in policy highlights</p>	<p>§529, §530</p>

Individual				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Reforms to Discharge of Certain Student Loan Indebtedness	<p>Under the bill, any income resulting from the discharge of student debt on account of death or total disability of the student would be excluded from taxable income.</p> <p>The provision would be effective for discharges of indebtedness received after 2017 and amounts received in tax years beginning after 2017.</p>	Not addressed.	<u>House</u> H.R. 1, §1203	§108
Repeal of Other Provisions Relating to Education	<p>Under the bill, the deduction for interest on education loans and the deduction for qualified tuition and related expenses would be repealed. The exclusion for interest on United States savings bonds used to pay qualified higher education expenses, the exclusion for qualified tuition reduction programs, and the exclusion for employer-provided education assistance programs would also be repealed.</p> <p>The exclusion for education assistance programs would be effective for amounts paid or incurred after 2017. The other provisions would be effective for tax years beginning after 2017.</p>	Not addressed.	<u>House</u> H.R. 1, §1204	§117, §127, §135, §221, §222
Rollovers from Qualified Tuition Programs to Qualified ABLE Programs	<p>Effective after Dec. 31, 2017, the bill would allow taxpayers to rollover distributions from qualified tuition plans to ABLE accounts of a designated beneficiary or family member of the beneficiary.</p>	Not addressed.	<u>House</u> H.R. 1, §1205	§529

Individual				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Employer-provided Housing Exclusion	The bill would limit the exclusion for employer-provided housing to \$50,000 (\$25,000 for married individuals filing separately). The exclusion would be limited to one residence, and would phase out for highly compensated individuals (\$120,000 for 2017) by an amount equal to 50% of the excess. The exclusion would be denied in the case of an individual who is a 5% owner. The provision would be effective for tax years beginning after Dec. 31, 2017.	Not addressed.	<u>House</u> H.R. 1, §1401	§119
Gain from Sale of a Principal Residence Exclusion	The bill would continue to exclude from gross income up to \$500,000 (\$250,000 for other filers) from the sale of a principal residence, but only if the taxpayer owned and used the home as such for five out of the previous eight years. The exclusion would only be available once every five years and would begin to phase out by one dollar for every dollar by which the taxpayer's gross income exceeds \$250,000 (\$500,000 for joint filers). The provision would be effective for sales and exchanges after 2017.	The plan would provide that the exclusion 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.	<u>House</u> H.R. 1, §1402 <u>Senate</u> JCT, I.D.8.	§121
Employee Achievement Awards	Effective after Dec. 31, 2017, the bill would repeal the exclusion for employee achievement awards – such awards would constitute taxable compensation.	Not addressed.	<u>House</u> H.R. 1, §1403	§74, §274
Exclusions for Dependent Care Assistance Programs	Effective after Dec. 31, 2022, the bill would repeal the exclusion for dependent care assistance programs. There would be no change to the household and dependent care credit.	Not addressed.	<u>House</u> H.R. 1, §1404	§129

Individual				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Exclusion for Qualified Moving Expense Reimbursements	Effective after Dec. 31, 2017 the bill would repeal the exclusion for qualified moving expense reimbursements – such reimbursements would constitute taxable income.	The plan would repeal the exclusion from gross income for qualified moving expense reimbursements.	<u>House</u> H.R. 1, §1405 <u>Senate</u> JCT, I.D.10	§132, §82
Exclusion for Adoptions Assistance Programs	Effective after Dec. 31, 2017, the bill would repeal the exclusion for adoption assistance programs.	Not addressed.	H.R. 1, §1406	§137

Estates, Gifts & Trusts				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Estate and Gift Taxes	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.	<p>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.</p> <p>The plan does not provide for a repeal of the estate tax at any point in the future.</p>	<p><u>House</u> H.R. 1, §1601, §1602</p> <p><u>Senate</u> JCT, I.E.</p>	§1014, §2001- §2210, §2502, §2505
Generation-Skipping Transfer Tax	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.	<p>The plan would increase the federal GST exemption amount to \$10,000,000 (with inflation adjustments), effective for generation-skipping transfers made after 2017.</p> <p>The plan does not provide for a repeal of the generation-skipping transfer tax at any point in the future.</p>	<p><u>House</u> H.R. 1, §1601, §1602</p> <p><u>Senate</u> JCT, I.E.</p>	§2601-§2664

Tax-Exempt Organizations				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Elimination of Exemption for Professional Sports Leagues	Not addressed.	The plan would eliminate language that provides exemptions for professional sports leagues and expressly exclude them from the definition of a business league under §501(c)(6).	<u>Senate JCT, III.L.4.</u>	§501(c)(6)
Unrelated Business Taxable Income	The bill would increase unrelated business taxable income by the amount of certain fringe benefit expenses for which a deduction is disallowed, effective for amounts paid or incurred after 2017.	<p>The plan would not address the inclusion of certain fringe benefit expenses in unrelated business taxable income.</p> <p>The plan would require that income derived from the licensing of an organization's name or logo be treated as derived from an unrelated trade or business regularly carried on and included in the organization's unrelated business taxable income notwithstanding provisions that otherwise exclude passive income from unrelated business taxable income.</p> <p>The plan would also require that organizations that carry on more than one unrelated trade or business separately calculate unrelated business taxable income for each trade or business, effectively prohibiting using deductions relating to one trade or business to offset income from a separate trade or business.</p> <p>The changes would apply to tax years beginning after 2017.</p>	<p><u>House H.R. 1, §3308</u></p> <p><u>Senate JCT, III.L.2., III.L.3.</u></p>	§512, §513

Tax-Exempt Organizations				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Modifications to Intermediate Sanctions Excise Tax on Excess Benefit Transactions	Not addressed.	<p>The plan would impose an excise tax on a tax-exempt organization involved in an excess benefit transaction equal to 10% of the excess benefit unless the organization establishes that minimum due diligence standards have been met, or satisfies the IRS that other reasonable procedures were followed.</p> <p>The plan would eliminate the rebuttable presumption of reasonableness contained in regulations and convert the regulations' procedures into the standard by which an organization can establish that minimum due diligence has been performed.</p> <p>The plan would eliminate the special rule regarding organization managers being treated as not "knowingly" participating where the manager relied on professional advice and the regulatory rule that a manager does not act knowingly where the organization satisfies the rebuttable presumption. However, the plan would retain reliance on professional advice as a factor in determining whether the manager "knowingly" participated in the transaction.</p> <p>The plan would add investment advisors and athletic coaches to the definition of "disqualified persons" for purposes of the excess benefit transaction rules.</p>	<u>Senate JCT</u> , III.L.5.	§4958

Tax-Exempt Organizations				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Modifications to Intermediate Sanctions Excise Tax on Excess Benefit Transactions (cont.)		<p>The plan would also extend the intermediate sanctions excess benefit transaction rules to organizations described in §501(c)(5) (labor and certain other organizations) and §501(c)(6) (business leagues and certain other organizations).</p> <p>The changes would apply to tax years beginning after 2017.</p>		
Excise Tax on Tax Exempt Organization Executive Compensation	<p>The bill would impose a 20% excise tax on compensation in excess of \$1 million paid to an applicable tax-exempt organization's five highest-paid employees for the tax year (or any person who was such an employee in any prior tax year beginning after 2016). The bill would also apply the 20% excise tax to any parachute payment exceeding the portion of the base amount (defined as the average annual compensation of the employee for the five tax years before the employee's separation from employment) that is allocated to the payment. The tax on excess parachute payments applies to all employees regardless of whether they were covered employees.</p> <p>The changes would apply to tax years beginning after 2017.</p>	<p>Same as H.R. 1 as passed by the House Ways & Means Committee.</p>	<p><u>House</u> H.R. 1, §3802</p> <p><u>Senate</u> JCT, III.H.3.</p>	§4960
Private Foundation Excise Tax on Investment Income	<p>The bill would simplify the private foundation excise tax on investment income and would reduce the rate from 2% to 1.4%, effective for tax years beginning after 2017.</p>	<p>Not addressed.</p>	<p><u>House</u> H.R. 1, §5101</p>	§4940

Tax-Exempt Organizations				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Private Foundation Excise Tax on Failure to Distribute Income	For purposes of the private foundation excise tax on failure to distribute income, the bill would exclude organizations operating art museums from the definition of operating foundations, unless the museum is open for at least 1,000 hours during the tax year, effective for tax years beginning after 2017.	Not addressed.	<u>House</u> H.R. 1, §5102	§4942
Excise Tax on Investment Income of Private Colleges and Universities	The bill would impose a 1.4% excise tax on certain private colleges and universities and their related organizations. This provision would apply only to private institutions that have more than 500 students and assets of at least \$250,000 per full-time student (not including assets used directly by the institution in carrying out the institution's educational purpose). The assets and net investment income of related organizations would be treated as the assets of the private college or university. The changes would apply for tax years beginning after 2017.	Same as H.R. 1 as passed by the House Ways & Means Committee.	<u>House</u> H.R. 1, §5103 <u>Senate</u> JCT, III.L.1.	§4969

Tax-Exempt Organizations				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Exception From Excess Business Holding Tax for Independently-operated Philanthropic Business Holdings	The bill would exempt certain private foundations (PFs) from the 10% excise tax for holding a 20% interest in a for-profit business, as well as the 200% excise tax for PFs that do not divest the holding by the close of the subsequent tax year. To qualify for the exception, the PF would have to satisfy the following four conditions: (i) the PF must own 100% of the for-profit business' voting stock, (ii) the PF must not have acquired the for-profit business by a means other than purchasing the business, (iii) the for-profit business must distribute all of its net operating income for any given tax year to the PF within 120 days of the close of the tax year, and (iv) the for-profit business' directors and shareholders cannot be substantial contributors nor make up a majority of the PF's board of directors. The changes would apply for tax years beginning after 2017.	Not addressed.	<u>House</u> H.R. 1, §5104	§4943
501(c)(3) Organizations Permitted to Make Statements Relating to Political Campaign in Ordinary Course of Activities	The bill would provide that 501(c)(3) organizations could make political statements in the ordinary course of activities in carrying out exempt purposes if the incremental expenses incurred are de minimis, effective for tax years beginning after Dec. 31, 2018. The provision would sunset for tax years beginning after Dec. 31, 2023.	Not addressed.	<u>House</u> H.R. 1, §5201	§501

Tax-Exempt Organizations				
Topic	House Bill (H.R. 1)	Senate Plan	Bill Sections	I.R.C. Sections
Additional Reporting Requirements for Donor Advised Fund Sponsoring Organizations	The bill would require donor advised funds to annually disclose (i) the average amount of grants made from their donor advised funds, and (2) their policies on inactive donor advised funds for frequency and minimum level of distributions, effective for returns filed for tax years beginning after 2017.	Not addressed.	<u>House</u> H.R. 1, §5202	§6033