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Ken Berry • Dec. 02, 2017



In the wee hours of Saturday morning, December 2, tax reform moved one step closer to reality.

In a 51-49 vote following party lines, the Senate approved its version of the tax reform bill during a marathon session, with only one Republican, Tennessee Senator Bob Corker, voting against the measure. But it took some late additions – in barely legible handwriting – to push the Senate bill across the finish line. Now a conference is needed to iron out the differences with the House bill.

The situation remains fluid, but following are some of the key components included in the Senate tax reform bill, which is almost 500 pages long.

Individual tax cuts: In the end, the Senate settled on a seven-rate structure, the same

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the Senate bill doubles it to \$2,000.

Corporate tax rates: The top tax rate for corporations would plummet from 35% to 20%. Unlike the individual tax rates, this reduction would be permanent.

Business expensing: The Senate bill allows a current write-off for business expenses under Section 179 for a period of five years followed by a phase-out.

Alternative minimum tax: Despite repeated calls to repeal the alternative minimum tax (AMT), this controversial provision would remain in effect, albeit with higher income levels, thereby sparing many taxpayers from this burden.

Pass-through entities: Pass-through entities such as partnerships, S corporations and limited liability companies (LLCs) would be able to take a 23% deduction on earnings. This provision is equipped with “guardrails” restricting professional service firms.

Inflation adjustments: Annual inflation adjustments would be tied to a consumer price index that typically increases at a slower rate than the current index used for adjustments.

Medical deductions: Under current law, only medical expenses in excess of 10% adjusted gross income (AGI) can be deducted, up from the previous level of 7.5% of AGI. The Senate bill keeps the medical deduction and restores the 7.5%-of-AGI threshold temporarily for 2018.

State and local taxes: Most state and local taxes, including income taxes, would no longer be deductible. A maximum deduction of \$10,000 would be allowed for property taxes.

Estate tax exemption: For 2018, the estate tax exemption can shelter up to \$5.6

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Finally, a slew of other tax breaks would be repealed, including tax deductions for tax advice and job-related moving expenses. If the bills are reconciled and a final version is signed before Christmas, as anticipated, the legislation would generally be effective on New Year's Day, 2018.

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