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Isaac M. O'Bannon • Oct. 17, 2017

Trump Tax Plan Repeals Most Itemized Deductions, AMT, Estate Tax

By Ken Berry, J.D.

On September 27, 2017, President Trump and his handpicked “Big Six” group of Republican leaders finally released the latest version of their long-awaited tax reform package. As with previous proposals, the new plan promises to cut taxes for individuals and businesses, while wiping out deductions and repealing other controversial tax provisions.

Notably, absent some window dressing, the new plan doesn't provide much detail on how the tax cuts will be paid for and who exactly will benefit. It also throws some important decisions back into Congress' lap.

The Big Six — Treasury Secretary Steven Mnuchin, National Economic Council Director Gary Cohn, Senate Majority Leader Mitch McConnell, Senate Finance Committee Chair Orrin Hatch, House Speaker Paul Ryan and House Ways and Means Committee Chair Kevin Brady — has been meeting for months behind closed doors. Here are the highlights of the tax plan they've crafted in conjunction with the president.

Individual tax rates: Similar to prior proposals by Trump, the new plan replaces the graduated seven-rate structure with a three-bracket system of 12%, 25% and 35%. Currently, the lowest rate is 10% and the top tax rate is 39.6%. It's not yet clear where all the income cut-offs would occur.

Corporate tax rates: Previously, President Trump had called for a top 15% corporate

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not quite – the current standard deduction of \$6,350 for single filers to \$12,000 and the \$12,700 standard deduction for joint filers from \$12,700 to \$24,000. This standard deduction would be claimed by more taxpayers in conjunction with other changes. Meanwhile the personal exemptions would be eliminated.

Itemized deductions: Following through on previous pledges, the new plan eliminates most itemized deductions, but retains the “sacred cows” of write-offs for mortgage interest and charitable donations. There could result in lot of handwringing from residents of states wit high income and property taxes.

Alternative minimum tax: Echoing calls over the years to eliminate the convoluted alternative minimum tax (AMT), the new plan would repeal the AMT. Taxpayers would only have to deal with one tax system.

Estate tax: If the new plan is adopted, the death of the federal estate tax, “or “death tax,” would finally become reality. Currently, the estate tax only affects the wealthiest taxpayers, due mainly to the availability of a \$5.49 million exemption.

Family tax breaks: Without offering many specifics, the plan would consolidate existing tax breaks for families. A few notable changes would increase the child tax credit from \$1,000 to an unspecified amount and create a new \$500 tax credit for dependents, such as the elderly, who aren't children.

Repatriation tax: A one-time repatriation would be imposed to have companies bring back profits from overseas. Trump administration officials have indicated the rate would probably be around 10%.

Some of the key elements of the tax reform plan were missing from the nine-page report released by the GOP leadership. The plan also leaves some decisions up to Congress, such as imposing restraints on wealthy individuals benefitting from the

25% rate for pas-through businesses and the possibility of a fourth individual tax

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