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## Changes Brackets

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Republican leaders in the U.S. House of Representatives released their new tax cut plan on Thursday. The heart of the plan is a cut to the corporate income tax rate from 35% to 20%, as well as doubling the standard deduction for couples to \$24,000 and increasing the child tax credit. Critics claim the tax plan may add an estimated \$1.5 trillion to the national debt over the next 10 years, however proponents are confident the reforms will stimulate economic growth which will offset the tax cuts.

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The tax plan would cap the state and local property tax deduction at \$10,000, while eliminating the deduction for state and local income and sales taxes.

Homeowners would see a limit on the mortgage interest deduction, with a new cap limiting the deduction of interest to loans of up to \$500,000 instead of the current \$1,000,000. "Eliminating or nullifying the tax incentives for homeownership puts home values and middle-class homeowners at risk, and from a cursory examination, this legislation appears to do just that," William E. Brown, president of the National Association of Realtors, told the *Los Angeles Times*.

While the tax reform proposal would maintain a 39.6 percent tax rate at the top, it raises the income threshold for this amount.

Under the reform proposal, the child tax credit would increase from \$1,000 to \$1,600.

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## New Tax Brackets

The tax plan changes the current 7-bracket structure to only four. The first \$24,000 in income for a household would have no taxation because of the increased standard deduction. The second bracket, \$24,000 to \$90,000 would have a tax rate of 12%. Income from \$90,000 to \$260,000 would have a 25% rate. Income from \$260,000 to \$1 million would have a 35% rate. And income above that would be taxed at 39.6%.

“What we are seeing today is a plan that exacerbates the unfairness and inequality in our tax code,” said Senate Minority Leader Charles E. Schumer (D-N.Y.) “The Republican tax plan would put two thumbs down on a scale already tipped towards the wealthy and powerful. ... Surely we can do better.” Meanwhile, Speaker of the House Paul Ryan (R-Wis) tweeted that the bill “... will cut your taxes and make the entire system more simple. This will be a game changer.”

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