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Ken Berry, JD • Dec. 07, 2017

The new tax reform bills that passed the House and Senate were built on the "need for speed." Both versions were rushed along in the hopes of a final measure arriving on the president's desk before Christmas. But haste makes waste and, in this case, could result in glitches, misinterpretations and loopholes opening when others are

there will be a sudden tax impact as individuals and businesses are forced to cope with a new ground rules right out of the gate. Besides the controversial repeal of the deduction for state and local income taxes, a slew of other provisions are cause for concern. For example:

- Under the Senate bill, pass-through entities such as partnerships, S corporations and limited liability companies (LLCs) would be able to take a 23% deduction on earnings. Although the provision is equipped with guardrails restricting professional service firms, other taxpayers may be tempted to recharacterize their income to take advantage of this tax break.

- At the last minute, the alternative minimum tax (AMT) for individuals and corporations was preserved, hardly an example of the "tax simplification" reputably sought by legislators. Notably, the corporate AMT would negate the tax benefit of the research credit available to businesses on the cutting edge.

- An entire new international tax regime would be implemented in addition to the highly-publicized one-time repatriation tax for returning profits from overseas. GOP leaders have already conceded that the new rules on international taxation are confusing and require some adjustments to avoid potential snafus. It is expected that this item will be a top priority in conference meetings.

- A provision taxing the investment earnings of certain private university endowments has been criticized as being overly vague. Significantly, the law doesn't define an "endowment" for this purpose, leading to considerable head-scratching in tax circles.

- In a little-noticed but important change, investors would have less flexibility in establishing capital gains and losses from certain securities sales. Instead of being able to identify the shares being sold when you own multiple blocks of the same security, you will have to treat the first shares acquired as being the first ones sold.

the itemized deductions that have survived the chopping block, such as those for charitable and mortgage interest, won't provide any tax benefit to millions of taxpayers.

These are just some of the issues that will be raised once negotiations begin in earnest. Of course, you can expect for the tax reform legislation to take plenty of twists and turns as it heads down the home stretch.

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