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On Friday evening, House and Senate Republican leaders announced they have agreed to a new tax reform bill – the Tax Cuts and Jobs Act – by ironing out their differences in conference. Now the measure faces a vote in Congress before it can become law. As expected, the final version of the bill includes several compromises and late additions.

The vote is expected early this week, with President Trump potentially signing the bill before Christmas.

Following are several key tax reform provisions discussed behind closed doors in

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for joint filers. Personal exemptions are completely eliminated.

**Child tax credit:** Currently, the child tax credit is only \$1,000 per qualified child, but the new law increases it to \$2,000, with \$1,400 being refundable. This was a sticking point for Senator Marco Rubio (R-FL), who insisted on more flexibility for low-income families.

**Mortgage interest deduction:** Based on a late change, the deduction for mortgage interest is limited to interest paid on up to \$750,000 of acquisition debt, down from its current limit of \$1 million. The Senate bill had left the \$1 million limit untouched while the House bill imposed a \$500,000 threshold.

**Corporate tax rates:** The top tax rate for corporations drops from 35% to 21%. Both the House and Senate bills featured a top 20% rate, which was endorsed by the White House. The lower rate would take effect in 2018—not 2019 as the Senate bill provided.

**Individual AMT:** The individual alternative minimum tax (AMT) remains, but the threshold would be tweaked to exclude any taxpayer with income under \$500,000 or family below \$1 million.

**Corporate AMT:** The corporate AMT, which was preserved by the Senate bill, is repealed. This was a critical concession to businesses eligible for the research credit.

**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 final bill reportedly keeps the medical deduction and restores the 7.5%-of-AGI threshold, but only for 2018.

**State and local taxes:** In another late compromise, a maximum deduction of \$10,000 is now reportedly available to taxpayers state and local property taxes or state and

local income taxes or sales taxes or a combination. But these concessions aren't likely

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Finally, the proposed legislation retains other tax breaks that were on the chopping block, such as deductions for student loan interest and tax-free private activity bonds used by local governments to build hospitals. The two chambers of Congress are expected to vote on the measure early next week.

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