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Dec. 17, 2017

House and Senate Republicans 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 the week before Christmas before it can become law. As expected, the final version of the bill includes several compromises and late additions.

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

Individual tax cuts: In the end, GOP leaders settled on a seven-rate structure, the same as exists now, with lower rates and revised bracket amounts. Ultimately, the top rate was cut from its current level of 39.6% to 37%, as opposed to the 38.5% rate that appeared in the Senate Bill.

Standard deduction and personal exemptions: Along with the individual rate cuts, the standard deduction is effectively doubled to \$12,000 for single filers and \$24,000 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

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repealed.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 to appease taxpayers in states with high taxes.

Estate tax exemption: For 2018, the estate tax exemption can shelter up to \$5.6 million of assets from estate tax. This generous exclusion is effectively doubled to \$11 million.

Health insurance mandate: The insurance requirement under the Affordable Care Act (ACA), the law known as Obamacare, is abolished.

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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