House and Senate Tax Reform Plans

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This chart compare the “Tax Cuts and Jobs Act” (H.R. 1), as passed by the House of Representatives on Nov. 16 by a 227-205 vote, with the Senate plan, as passed by Senate Finance Committee on Nov. 16 by a 14-12 vote. Once the Senate plan is approved the bills will go to the Joint Committee on Taxation to iron out differences.

Corporate and Business		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Alternative Minimum Tax (AMT)	After 2017, would repeal corporate AMT. In 2019, 2020, and 2021, if taxpayer would have AMT credit carryforward, taxpayer would be able to claim a refund of 50% of remaining credits (to extent credits exceed regular tax for year). For 2022, taxpayer would be able to claim a refund of all remaining credits.	After 2017, would repeal corporate AMT. The plan would allow the AMT credit to offset the taxpayer’s regular tax liability for any tax year. For any tax year beginning after 2017 and before 2022, the AMT credit would be refundable in an amount equal to 50% (100% in the case of tax years beginning in 2021) of the excess of the minimum tax credit for the tax year over the amount of the credit allowable for the year against regular tax liability.
Corporate Tax Rate	After 2017, 20% flat corporate tax rate; 25% flat rate for personal service corporations. After 2017, the 80% dividends received deduction would be reduced to 65% and the 70% dividends received deduction would be reduced to 50%, preserving the current law effective tax rates on income from such dividends.	After 2018, 20% flat corporate tax rate; would eliminate the special tax rate for personal service corporations. After 2018, would reduce the 80% dividends received deduction to 65% and the 70% dividends received deduction to 50%, and would repeal the maximum corporate tax rate on net capital gain as obsolete.

House and Senate Tax Reform Plans

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Corporate and Business		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Dividends Paid Reporting	Not addressed.	After 2018, corporations which pay dividends to shareholders would be required to report the total dividends paid during the tax year and during the first 2 ½ months of the next tax year. Failure to file such information return would be subject to a daily penalty of $1,000 not to exceed $250,000.
Dividends Paid Deduction	Not Addressed.	Clarifies that corporations will continue to be unable to deduct dividends paid when computing taxable income.
Cash Method of Accounting	The $5 million average gross receipts threshold for corporations and partnerships with corporate partners that are not allowed to use the cash method of accounting would be increased to $25 million (indexed for inflation) and would be extended to certain farming entities for tax years beginning after 2017. The requirement that such businesses satisfy the requirement for all prior years would be repealed.	The $5 million average gross receipts threshold for corporations and partnerships with corporate partners that are not allowed to use the cash method of accounting would be increased to $15 million (indexed for inflation) and would be extended to farming C corporations and farming partnership with C corporation partners. Such entities would be required to meet the threshold for the three prior tax-year period.

House and Senate Tax Reform Plans

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Corporate and Business		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Accounting for Inventories	Currently, taxpayers with average gross receipts of less than $10 million ($1 million in certain industries) are permitted to account for inventories as materials and supplies that are not incidental. The bill would increase the average gross receipts threshold from $10 million to $25 million (indexed for inflation), regardless of industry, and allow such taxpayers to either treat inventories as materials and supplies that are not incidental or conform to the taxpayer's financial accounting treatment.	The proposal would exempt certain taxpayers from the requirement to keep inventories. Specifically, taxpayers that meet the $15 million (indexed for inflation) gross receipts test would not be required to account for inventories, but rather could use a method of accounting for inventories that either (1) treats inventories as non-incidental materials and supplies, or (2) conforms to the taxpayer's financial accounting treatment of inventories.
UNICAP	The bill would increase the average gross receipts threshold for the UNICAP rules from $10 million to $25 million (indexed for inflation). Exemptions from the UNICAP rules that are not tied to a gross receipts test will be retained.	The plan would increase the average gross receipts threshold for the UNICAP rules from $10 million to $15 million (indexed for inflation). Exemptions from the UNICAP rules which are not tied to a gross receipts test will be retained.
Accounting for Long-term Contracts	The $10 million average gross receipts exception to the requirement to use the percentage-of-completion accounting method for long-term contracts to be completed within two years would be increased to $25 million (indexed for inflation) for contracts entered into after 2017, and businesses that meet such exception would be permitted to use the completed-contract method (or any other permissible exempt contract method).	The $10 million average gross receipts exception to the requirement to use the percentage-of-completion accounting method for long-term contracts to be completed within two years would be increased to $15 million (indexed for inflation) for contracts entered into after 2017, and businesses that meet such exception would be permitted to use the completed-contract method (or any other permissible exempt contract method).

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Corporate and Business		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Limitation on Losses for Taxpayers Other than Corporations	Not addressed.	Would expand the excess farm business loss limitation to excess business losses of a taxpayer other than a C corporation. An excess business loss for the tax year would be the excess of aggregate deductions of the taxpayer attributable to trades or businesses of the taxpayer, over the sum of aggregate gross income or gain of the taxpayer plus a threshold amount ($500,000 for married taxpayer filing jointly; $250,000 for married filing separately (adjusted for inflation). The limitation would apply at the partner or S corporation shareholder level.
Other Accounting Methods	Not addressed.	After 2017, would require a taxpayer to recognize income no later than the tax year in which such income is taken into account as income on an applicable financial statement, but would provide an exception for long-term contract income. Would codify the current deferral method of accounting for advance payments for goods and services provided under Rev. Proc. 2004-34, which allows taxpayers to defer the inclusion of income associated with certain advance payments to the end of the tax year following the tax year of receipt if such income also is deferred for financial statement purposes. Would direct taxpayers to apply the revenue recognition rules under §451 before applying the OID rules under §1272. Thus, to the extent amounts are included in income for financial statement purposes when received (e.g., late payment fees, cash-advance fees, or interchange fees), such amounts generally would be includible in income.

House and Senate Tax Reform Plans

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Corporate and Business		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Contributions to Capital	Beginning with date of enactment, contributions to capital of a corporation would be included in corporation's gross income unless exchanged for stock. Contributions in excess of fair market value of stock issued would be included in gross income. Basis in property contributed to capital would be greater of either basis of transferor increased by gain recognized, or amount included in gross income.	Not addressed.
Cost Basis of Specified Securities	Not addressed.	Would require that the cost of any specified security sold, exchanged, or otherwise disposed of on or after Jan. 1, 2018, be determined on a first-in first-out basis except to the extent the average basis method is otherwise allowed or RICs. Would restrict a broker's basis reporting method to the first-in first-out method in the case of the sale of any stock for which the average basis method is not permitted.

House and Senate Tax Reform Plans

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Corporate and Business		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Increased Bonus Depreciation	The bill would extend the availability of first- year additional depreciation for qualified property and specified fruit- and nut-bearing plants for three additional years, and would increase the first-year additional depreciation percentage to 100%, effectively allowing taxpayers to deduct immediately the full cost of qualified property acquired and placed in service after Sept. 27, 2017, and before Jan. 1, 2023 (Jan. 1, 2024 for longer production period property). The bill would expand the property that is eligible for this additional depreciation ("qualified property") to include used property acquired by the taxpayer, provided the property was not used by the taxpayer before the taxpayer acquired it. Qualified property would exclude property used in a real property trade or business, certain regulated utility property, and property used in a trade or business that has floor plan financing indebtedness. Under the bill, the taxpayer's election to use AMT credits in lieu of deducting the additional depreciation would be repealed. The repeal of this election would be effective for tax years beginning after 2017.	The plan would extend and modify the availability of first-year additional depreciation for qualified property including ***qualified film, television, and live theatrical productions*** and specified fruit- and nut- bearing plants through 2022, and would increase the first- year additional depreciation percentage to 100% for property placed in service after Sept. 27, 2017, and before Jan. 1, 2023. The plan would exclude certain public utility property from the definition of qualified property. Under the plan, the taxpayer's election to accelerate AMT credits in lieu of bonus deprecation would be repealed because of the plan's elimination of AMT.

House and Senate Tax Reform Plans

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Corporate and Business		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Depreciation Limitation for Luxury Automobiles and Personal Use Property	The bill would raise the $8,000 first-year depreciation increase for passenger automobiles eligible for bonus depreciation to $16,000, effective for vehicles acquired and placed in service after Sept. 27, 2017, but before Jan. 1, 2023.	The plan would increase the depreciation limitations under §280F for passenger automobiles placed in service after Dec. 31, 2017, to $10,000 for the year in which the vehicle is placed in service, $16,000 for the second year, $9,600 for the third year, and $5,760 for the fourth and later years. The plan provides that the amounts will be indexed for inflation for automobiles placed in service after 2018. The plan would also remove computer or peripheral equipment from the definition of listed property.
Recovery Period for Farming Property	Not addressed.	The plan would shorten the recovery period from 7 years to 5 years for machinery or equipment used in a farming business that is placed in service after Dec. 31, 2017. Additionally, the plan would repeal the requirement that property used in a farming business use the 150% declining balance method. However, the plan would provide that the 150% declining balance method would continue to apply to any 15-year or 20-year property used in the farming business when the straight line method is inapplicable, or if the taxpayer elects the 150% declining balance method.
Depreciation Deductions for Nonresidential Real Property and Residential Rental Property	Not addressed.	The plan would shorten the recovery period for nonresidential real property and residential rental property to 30 years, ***effective for property placed in service after Dec. 31, 2017***. Additionally, the plan would eliminate the separate definitions of qualified leasehold property, qualified restaurant, and qualified retail improvement property, and a 20-year ADS recovery period for such property.

House and Senate Tax Reform Plans

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Corporate and Business		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Extension and Phaseout of Residential Energy Efficient Property	Under the bill, the credit for residential energy efficient property would be extended for all qualified property placed in service before 2022, subject to a reduced rate of 26% for property placed in service during 2020 and 22% for property placed in service during 2021. The provision would be effective for property placed in service after 2016.	Not addressed.
Interest Expense Deduction	Effective for tax years beginning after 2017, the bill would limit the deduction for net interest expenses incurred by a business in excess of 30% of the business's adjusted taxable income.	The plan would limit the deduction for net interest expense to 30% of adjusted taxable income, and the limit would be applied at the taxpayer level (for affiliated corporations filing a consolidate return it would apply at the consolidate tax return filing level). Any interest not allowed as a deduction may be carried forward indefinitely. ***Farming businesses can elect not to be subject to the business interest deduction limitation. The plan would require farming businesses that make this election to use the alternative depreciation system to depreciate property used in the farming business with a recovery period of ten years or more.*** ***The limitation, which does not apply to certain regulated public utilities, also would not apply to certain electric cooperatives.***

House and Senate Tax Reform Plans

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Corporate and Business		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Deductions for Income Attributable to Domestic Production Activities	Effective for tax years beginning after 2017, the bill would repeal the deduction allowed for domestic production activities. The deduction would be extended for activities in Puerto Rico for tax years beginning before January 1, 2018.	Effective for tax years beginning after Dec. 31, 2018, the plan would repeal the deduction allowed for domestic production activities. Application of deduction to Puerto Rico activities not addressed.
Section 179 Expensing	Effective for tax years 2018 through 2022, the bill would increase the business expensing limitation to $5 million and the phase out amount to $20 million. The new limitations would be adjusted for inflation. Effective beginning after Nov. 2, 2017, §179 property would include qualified energy efficient heating and air-conditioning property.	The plan would increase the amount that a taxpayer may expense under §179 to $1,000,000. The plan would also increase the phase-out threshold to $2,500,000. These amounts would be indexed for inflation for tax years beginning in 2018. The plan would expand the definition of §179 property to include certain depreciable tangible personal property (property used to furnish lodging). The plan would also expand the definition of qualified real property for improvements made to nonresidential real property. The types of improvements falling under that definition include: roofs, heating, ventilation, and air-conditioning property, fire protection and alarm systems, and security systems.
Small Business Exception from Limitation on Deduction of Business Interest	Under the bill, businesses with average annual gross receipts of $25 million or less would be exempt from the interest limitation rules (described in §3301 of the bill). This provision would be effective for tax years beginning after Dec. 31, 2017.	Under the plan, businesses that satisfy the $15 million gross receipts test would be exempt from the interest limitation rules (described in JCT. III.C.1.). This provision would be effective for tax years beginning after Dec. 31, 2017.

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Corporate and Business		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
NOL Deduction	The bill would allow a taxpayer to deduct an NOL carryover or carryback of up to 90% of the taxpayer's taxable income. Additionally, the bill would generally repeal all carrybacks but for a special one-year carryback for small businesses and farms in the event of certain casualty and disaster losses arising in tax years beginning after 2017. Under the bill, any net operating loss, specified liability loss, excess interest loss, or eligible loss, carryback would be permitted in a tax year beginning in 2017, unless the NOL is attributable to the increased expensing allowed under §3101 of the bill. The bill would also allow NOLs arising in tax years beginning after 2017 that are carried forward to be increased by an interest factor. Also, under the bill, NOL carryforwards could be carried forward indefinitely, rather than 20 years as is the case currently.	The plan would limit the NOL deduction to ***80% of taxable income*** and provide that amounts carried to other years be adjusted to account for the limitation for losses arising in tax years beginning ***after Dec. 31, 2022. Would be repealed effective for tax years beginning after Dec. 31, 2025, if Oct. 1, 2017-Sept. 30, 2026 revenue targets are met.*** The plan would eliminate carrybacks (except for farming losses) but allow unused losses to be carried forward indefinitely.
Like-Kind Exchanges of Real Property	The bill would limit deferral of gain on like- kind exchanges after 2017 to real property.	The plan would limit the nonrecognition of gain in the case of like-kind exchanges to real property that is not held primarily for sale. This portion of the plan would generally apply to exchanges completed after Dec. 31, 2017. However, an exception is provided for any exchange if either the property being exchanged or received is exchanged or received on or before Dec. 31, 2017.

House and Senate Tax Reform Plans

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Corporate and Business		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Entertainment, etc. Expenses	The bill would disallow deductions for entertainment, amusement or recreation activities under all circumstances. In addition, no deduction would be allowed for transportation fringe benefits, benefits in the form of on-premises gyms and other athletic facilities, or for personal amenities provided to an employee that are not directly related to the employer's trade or business, except to the extent that the benefit is treated as taxable compensation to the employee. The bill would also disallow deductions for reimbursed entertainment expenses paid as part of a reimbursement arrangement involving a tax-indifferent party. This provision would be effective for amounts paid or incurred after 2017.	No deduction would be allowed generally for entertainment, amusement, or recreation; membership dues for a club organized for business, pleasure, recreation, or other social purposes; or a facility used in connection with any of the above. The plan would repeal the exception to the deduction disallowance for entertainment, amusement, or recreation that is directly related to (or, in certain cases, associated with) the active conduct of the taxpayer's trade or business (and the related rule applying a 50% limit). Deduction for 50% of food and beverage expenses associated with operating a trade or business generally would be retained. Would expand 50% limit to include employer expenses associated with providing food and beverages to employees through an eating facility meeting de minimis fringe requirements. The plan would disallow deductions for expenses associated with providing any qualified transportation fringe to employees, and except for ensuring employee safety, any expense incurred for providing transportation (or any payment or reimbursement) for commuting between the employee's residence and place of employment. Applicable to amounts paid or incurred after Dec. 31, 2025. ***The plan would disallow employer deductions for expenses associated with meals provided for the employer's convenience on, or near, the employer's business premises through an employer-operated facility that meets certain requirements. Would be repealed if Oct. 1, 2017 – Sept. 30, 2026 revenue targets are met.***

House and Senate Tax Reform Plans

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Corporate and Business		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Uniform Treatment of Expenses In Contingency Fee Cases	The bill would disallow an immediate deduction for litigation costs advanced by an attorney to a client in contingent fee litigation until such time as the contingency is resolved. The provision would be apply to expenses and costs paid or incurred in tax years beginning after the date of enactment.	Not addressed.
Sale or Exchange of Patents	Effective for dispositions after 2017, the bill would repeal the special rule treating the transfer of a patent before its commercial exploitation as long-term capital gain.	Not addressed.
Research and Development Credit	Would preserve the research and development credit.	Would preserve the research and development credit.

House and Senate Tax Reform Plans

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Corporate and Business		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Amortization of Research and Experimental Expenditures	The bill would provide that research or experimental expenditures, including software development expenditures, must be capitalized and amortized over a 5-year period (15 years if expenditures are attributable to research conducted outside of the United States). Land acquisition and improvement costs and mine (including oil and gas) exploration costs would not be subject to this rule. Upon retirement, abandonment, or disposition of property, any remaining basis would continue to be amortized over the remaining amortization period. This rule would apply to research or experimental expenditures paid or incurred during tax years beginning after Dec.31, 2022.	***Research or experimental expenditures, including software development expenditures, would have to be capitalized and amortized ratably over a five-year period (15 years if attributable to research conducted outside of the United States). Land acquisition and improvement costs, and mine (including oil and gas) exploration costs, would not be subject to this rule. Upon retirement, abandonment, or disposition of property, any remaining basis would continue to be amortized over the remaining amortization period.*** ***Would be repealed effective for tax years beginning after Dec. 31, 2025, if Oct. 1, 2017-Sept. 30, 2026 revenue targets are met.*** ***Would apply on a cutoff basis to expenditures paid or incurred in tax years beginning after Dec. 31, 2025.*** ***The plan would add reporting requirements for research and experimental expenditures in tax years beginning after Dec. 31, 2024. Failure to report would result in a fine of $1,000 per day (up to a maximum of $250,000).***

House and Senate Tax Reform Plans

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Corporate and Business		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Employer-Provided Child Care Credit	The bill would repeal the employer-provided child care credit. Under current law, employers may claim a credit of up to $150,000 equal to 25% of qualified expenses for employee child care and 10% of qualified expenses for child-care resource and referral services.	Not addressed.
Work Opportunity Tax Credit	The bill would repeal the work opportunity credit, which is a nonrefundable tax credit for a portion (40%) of wages paid to certain employees who qualify as members of disadvantaged groups.	Not addressed.
Unused Business Credits	The bill would repeal the deduction for any unused business credits that remain after they are carried back one year and forward 20 years.	Effective for tax years beginning after Dec. 31, 2017, the plan would repeal the deduction for certain unused business credits that remain after they are carried back one year and forward 20 years.
Credit for Expenditures for Disabled Individuals	The bill would eliminate the credit for expenditures to provide access to disabled individuals for expenditures incurred after 2017. Under current law, small-business taxpayers may claim a 50% credit per year for expenditures of between $250 and $10,250 for provided access to disabled individuals.	Not addressed.
Private Activity Bond Reforms	The bill would repeal tax-exempt status for qualified private activity bonds and terminate the qualified bond classifications.	Not addressed.

House and Senate Tax Reform Plans

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Corporate and Business		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Denial of Deduction for Settlements Subject to a Nondisclosure Agreement Paid in Connection with Sexual Harassment or Sexual Abuse	Not addressed.	***The plan would disallow a deduction for any settlement, payout, or attorney fees related to sexual harassment or sexual abuse if the payments are subject to a nondisclosure agreement. Effective for amounts paid or incurred after date of enactment.***
Employer Credit for Paid Family and Medical Leave	Not addressed.	***The plan would allow eligible employers (employers that allow all qualifying full-time employees at least two weeks annual paid family and medical leave, and allow part-time employees a commensurate amount of leave on a pro rata basis) to claim a business credit for 12.5% of the wages paid to qualifying employees during any period in which such employees are on family and medical leave (FMLA) if the payment rate under the program is 50% of the wages normally paid to an employee.*** ***The credit would be increased by 0.25 percentage points (but not above 25%) for each percentage point by which the rate of payment exceeds 50%. Generally effective for wages paid in taxable years beginning after Dec. 31, 2017. The credit would not apply to wages paid in taxable years beginning after Dec. 31, 2019.***

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Corporate and Business		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Deductibility of Fines and Penalties for Federal Income Tax Purposes	Not addressed.	***The plan would deny a deduction for amounts paid in relation to the violation of a law or investigation into the potential violation of a law, if a government (or similar entity) is a complainant or investigator with respect to the violation or potential violation. An exception would apply to restitution (including remediation of property) identified in a court order or settlement agreement as restitution, remediation, or required to come into compliance with any law. Restitution for failure to pay tax, assessed under the Internal Revenue Code, would be deductible only to the extent it would have been allowable if it had been timely paid. An exception also would apply to any amount paid or incurred as taxes due.*** ***Effective for amounts paid or incurred after the date of enactment, except that it would not apply to amounts paid or incurred under any binding order or agreement entered into before such date unless such order or agreement required court approval and the approval was not obtained before such date.***

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Pass-Through Entities		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Pass-Through Tax Treatment	After 2017, 25% maximum tax rate on portion of pass-through entity net income distributions treated as business income (remaining portion of distributions treated as wage income subject to individual income tax rates). Owners or shareholders receiving distributions from active business activities would be able to elect to: (1) treat 30% as business income and 70% as wage income, or (2) determine ratio of business income to wage income based on capital investment. Owners or shareholders receiving distributions from passive business activities would be able to treat 100% as business income. Certain personal service businesses (e.g., businesses involving the performance of services in the fields of law, accounting, consulting, engineering, financial services, or performing arts) would not be eligible for the pass-through rate. Transition rules would apply. The bill would provide a 9% tax rate, in lieu of the proposed 12%, for the first $75,000 ($37,500 for unmarried individuals, $56,250 for heads of household) in net business taxable income of an active owner or shareholder earning less than $150,000 ($75,000 for unmarried individuals, $112,500 for heads of household) in taxable income through a pass-through business. As taxable income exceeds $150,000, the benefit of the 9% rate relative to the 12% rate would be reduced, and it would be fully phased out at $225,000. Businesses of all types would be eligible for the preferential 9% rate, and such rate would apply to all business income up to the $75,000 level. The 9% rate would be phased in, so that the rate for 2018 and 2019 would be 11% and the rate for 2020 and 2021 would be 10%.	Deduction for pass-through entities in lieu of changing rates. After 2017, would generally allow an individual taxpayer to deduct 17.4% of domestic qualified business income from a partnership, S corporation, or sole proprietorship. Qualified business income would not include income from specified service trades or businesses, i.e., those involving the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees, except in the case of a taxpayer whose taxable income does not exceed a threshold amount (subject to phaseout). Qualified business income would not include any reasonable compensation paid by an S corporation, any amount allocated or distributed by a partnership to a partner who is acting other than in his or her capacity as a partner for services, or any amount that is a guaranteed payment for services actually rendered to or on behalf of a partnership. The deduction would be limited to 50% of W-2 wages of a taxpayer who has qualified business income from a partnership or S corporation. ***W-2 wages of a partnership, S corporation, or sole proprietorship is the sum of wages subject to wage withholding, elective deferrals, and deferred compensation paid by business during calendar year ending during taxable year. Special rules apply for certain income thresholds.*** ***The deduction would expire after Dec. 31, 2025.***

House and Senate Tax Reform Plans

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Pass-Through Entities		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Pass-Through Tax Treatment *(cont.)*		While qualified business income or loss would not include certain investment- related income, gain, deductions, or loss, dividends from certain cooperatives or a real estate investment trust (other than any portion that is a capital gain dividend) would be included. If the amount of qualified business income is less than zero for a tax year, i.e., is a loss, the amount of the loss would be carried over to the next tax year.
S Corporation Conversion to C Corporation	Effective for S corporations that revoke their S corporation elections during the two-year period beginning on the enactment date and have the same owners on both the enactment date and the revocation date, distributions from a terminated S corporation would be treated as paid from its accumulated adjustment account and from its earnings and profits. Adjustments under §481(a) would be accounted for over a six-year period.	Not addressed.
Expansion of Qualifying Beneficiaries of an Electing Small Business Trust (ESBT)	Not addressed.	***Effective Jan. 1, 2018, a nonresident alien may be a potential current beneficiary of an ESBT.***

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Pass-Through Entities		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Charitable Contribution Deduction for Electing Small Business Trusts (ESBT)	Not addressed.	***The plan would provide that the charitable deduction of an ESBT will no longer be determined by the rules generally applicable to trusts, but would be determined by the rules applicable to individuals. As a result, the percentage limitations and carryforward provisions applicable to individuals apply to charitable contributions made by the portion of an ESBT holding S corporation stock. The provision would apply to tax years beginning after Dec. 31, 2017.***
Contributions to Capital	Beginning with date of enactment, contributions to capital of partnership would be included in partnership's gross income unless exchanged for interest in partnership. Contributions in excess of fair market value of interest received would be included in gross income.	Not addressed.
Substantial Built-in Loss	Not addressed.	A partnership generally does not adjust the basis of partnership property following the transfer of a partnership interest unless either the partnership has made an optional election to make basis adjustments, or the partnership has a substantial built-in loss immediately after the transfer. After 2017, the definition of a substantial built-in loss would be expanded, as it affects transfers of partnership interests. Under the current provision, a substantial built-in loss exists if the partnership's adjusted basis in its property exceeds by more than $250,000 the fair market value of the partnership property. Under the plan, a substantial built-in loss would also exists if the transferee would be allocated a net loss in excess of $250,000 upon a hypothetical disposition by the partnership of all partnership's assets in a fully taxable transaction for cash equal to the assets' fair market value, immediately after the transfer of the partnership interest.

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Pass-Through Entities		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Basis Limitation on Partner Losses	Not addressed.	After 2017, the basis limitation on the deductibility of partner losses would apply to a partner's distributive share of charitable contributions and foreign taxes, which are exempted from such limitation under the current regulations. ***The basis limitation on partner losses does not apply to the excess of fair market value over adjusted basis on charitable contributions of appreciated property.***
Tax Gain on the Sale of Partnership Interest on Look-through Basis	Not addressed.	Gain or loss from the sale or exchange of a partnership interest would be effectively connected with a U.S. trade or business to the extent that the transferor would have had effectively connected gain or loss had the partnership sold all of its assets at fair market value as of the date of the sale or exchange. Any gain or loss from the hypothetical asset sale by the partnership be allocated to interests in the partnership in the same manner as nonseparately stated income and loss. Effective for sales and exchanges after Dec. 31, 2017.
Technical Termination of Partnership	After 2017, technical termination rule would be repealed. A partnership would be treated as continuing even if more than 50% of the total capital and profit interest of partnership were sold or exchanged, and new elections would not be required or permitted.	Not addressed.
Carried Interest	After 2017, transfers of applicable partnership interests held for less than three years would be treated as short-term capital gain. This treatment would affect partnership in connection with the performance of substantial services to businesses which consist of engaging in capital market transactions or other specified investments. Certain equity interests and interests held by corporations would be exempt.	***For certain partnership interests received in connection with the performance of services would be subject to a three year holding period in order to qualify for long-term capital gain treatment.***

House and Senate Tax Reform Plans

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Compensation and Benefits		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Archer Medical Savings Accounts (Archer MSAs)	No deduction would be allowed for contributions to an Archer MSA. Employer contributions to an Archer MSA would not be excluded from income. Existing Archer MSA balances could continue to be rolled over on a tax-free basis to an HSA. Applicable to tax years beginning after Dec. 31, 2017.	Not addressed.
Dependent Care Assistance Programs	Originally slated to be repealed, the dependent care assistance exclusion available to employees for amounts paid or incurred by an employer would sunset. The sunset would apply as of tax years beginning after Dec. 31, 2022.	Not addressed.
Recharacterization of Certain IRA and Roth IRA Contributions	Would strike §408A(d)(6), which permits taxpayers to recharacterize a contribution to a traditional IRA as a contribution to a Roth IRA, or vice versa, and permits taxpayers to recharacterize a conversion of a traditional IRA to a Roth IRA. Would be effective for tax years beginning after Dec. 31, 2017.	Would strike §408A(d)(6), which permits taxpayers to recharacterize a contribution to a traditional IRA as a contribution to a Roth IRA, or vice versa, and permits taxpayers to recharacterize a conversion of a traditional IRA to a Roth IRA. Would be effective for tax years beginning after Dec. 31, 2017.
In-Service Distributions from Certain Retirement Plans	Would bring parity to state and local government defined contribution plans and defined benefit plans with all other defined contribution plans by allowing in-service distributions to commence as early as age 59½. Applicable to plan years beginning after Dec. 31, 2017.	Not addressed.

House and Senate Tax Reform Plans

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Compensation and Benefits		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Conformity of Contribution Limits for Employer-Sponsored Retirement Plans	Not addressed.	Would apply a single aggregate limit to contributions to governmental plans and elective deferrals for the same employee under a §401(k) plan or §403(b) plan of the same employer. Would repeal rules allowing additional elective deferrals and catch-up contributions under §403(b) plans and governmental §457(b) plans. Would repeal the rule allowing employer contributions to §403(b) plans for up to five years after termination of employment. Would revise the limit on aggregate contributions to a qualified defined contribution plan or a §403(b) plan (that is, the lesser of (1) $54,000 (for 2017) and (2) the employee's compensation). As revised, a single aggregate limit would apply to contributions for an employee to any defined contribution plans, any §403(b) plans, and any governmental § 457(b) plans maintained by the same employer, including any members of a controlled group or affiliated service group. Would be effective for plan years and taxable years beginning after Dec. 31, 2017.
Hardship Distributions from Retirement Plans -- Employee Contributions	No later than 1 year after date of enactment, IRS would have to amend its guidance that currently does not allow an employee to make contributions for 6 months after receiving a hardship distribution, to allow an employee taking a hardship distribution to continue making contributions to the plan.	Not addressed.
Hardship Distributions from Retirement Plans -- Amounts Eligible for Withdrawal	Plan sponsors would be able to allow employees to take hardship distributions from a plan using account earnings and employer contributions, in addition to employee contributions. Applicable to plan years beginning after Dec. 31, 2017.	Not addressed.

House and Senate Tax Reform Plans

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Compensation and Benefits		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Rollovers of Plan Loan Offsets	An employee who has taken a plan loan would have until the due date for filing the employee's tax return for that year to contribute the loan balance to an IRA (instead of the current 60 days) to avoid having the loan amount treated as a taxable distribution. This rule would apply to employees whose plans terminate or who separate from employment while having a plan loan outstanding. Applicable to tax years beginning after Dec. 31, 2017.	An employee who has taken a plan loan would have until the due date for filing the employee's tax return for that year to contribute the loan balance to an IRA (instead of the current 60 days) to avoid having the loan amount treated as a taxable distribution. This rule would apply to employees whose plans terminate or who separate from employment while having a plan loan outstanding. Applicable to tax years beginning after Dec. 31, 2017.
Qualified Plan Nondiscrimination Rules	Would allow employers sponsoring closed/frozen defined benefit plans to more easily meet applicable nondiscrimination requirements that they might otherwise violate, especially with respect to cross- tested plans. Generally effective on the date of enactment.	Not addressed.
Credit for Social Security Taxes Paid on Restaurant Tips	Credit for portion of employer social security taxes paid with respect to restaurant employee tips would be modified to reflect current minimum wage. Restaurants with less than 10 employees would now be required to report tip allocations. Applicable to tax years beginning after Dec. 31, 2017.	Not addressed.

House and Senate Tax Reform Plans

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Compensation and Benefits		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Deduction for Excessive Employee Remuneration	The $1 million yearly limit on the deduction for compensation with respect to a covered employee of a publicly traded corporation would be modified. The exceptions for commissions and performance-based compensation would be repealed. "Covered employees" would include the CEO, CFO and the 3 highest paid employees. Once an employee qualifies as a covered employee, the deduction limitation would apply to that person so long as the corporation pays remuneration to that person (or to any beneficiaries). Applicable to tax years beginning after Dec. 31, 2017.	Definition of "covered employee" would include the 3 most highly compensated officers for the taxable year (other than the principal executive officer or principal financial officer) who are required to be reported on the company's proxy statement for the taxable year (or who would be required to be reported on such a statement for a company not required to report). A covered employee for a tax year beginning after Dec. 31, 2016, would remain a covered employee for all future years. Would eliminate exceptions for commissions and performance-based compensation. Applicable to tax years beginning after Dec. 31, 2017. Transition rule applies so that no proposed changes would take effect with respect to a written binding contract in effect on Nov. 2, 2017, that is not modified in any material respect. Manager's Amend. 11/16: Same as JCT Mod. 11/14, but removes the requirement for transition relief that the right of the covered employee no longer be subject to a substantial risk of forfeiture on or before Dec. 31, 2016.

House and Senate Tax Reform Plans

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Individual		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Tax Rates	**Individual Income Tax Rates** The bill would have four tax brackets: 12 percent, 25 percent, 35 percent, and 39.6 percent, in addition to an effective fifth bracket at zero percent in the form of the enhanced standard deduction. Married Filing Jointly (Surviving Spouses): 12% (Taxable income not over $90,000) 25% (Over $90,000 but not over $260,000) 35% (Over $260,000 but not over $1,000,000) 39.6% (Over $1,000,000) Married Filing Separately: 12% (Taxable income not over $45,000) 25% (Over $45,000 but not over $130,000) 35% (Over $130,000 but not over $500,00) 39.6% (Over $500,000) Head of Household: 12% (Taxable income not over $67,500) 25% (Over $67,500 but not over $200,000) 35% (Over $200,000 but not over $500,000) 39.6% (Over $500,000)	**Individual Income Tax Rates** The plan would have seven tax brackets: 10 percent, 12 percent, 22 percent, 24 percent, 32 percent, 35 percent, and 38.5 percent. Married Filing Jointly (Surviving Spouses): 10% (Taxable income not over $19,050) 12% (Over $19,050 but not over $77,400) 22% (Over $77,400 but not over $140,000) 24% (Over $140,000 but not over $320,000) 32% (Over $320,000 but not over $400,000) 35% (Over $400,000 but not over $1,000,000) 38.5% (Over $1,000,000) Married Filing Separately: 10% (Taxable income not over $9,525) 12% (Over $9,525 but not over $38,700) 22% (Over $38,700 but not over $70,000) 24% (Over $70,000 but not over $160,000) 32% (Over $160,000 but not over $200,000) 35% (Over $200,000 but not over $500,000) 38.5% (Over $500,000) Head of Household: 10% (Taxable income not over $13,600) 12% (Over $13,600 but not over $51,800) 22% (Over $51,800 but not over $70,000) 24% (Over $70,000 but not over $160,000) 32% (Over $160,000 but not over $200,000) 35% (Over $200,000 but not over $500,000) 38.5% (Over $500,000)

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Individual		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Tax Rates *(cont.)*	Other Individuals: 12% (Taxable income not over $45,000) 25% (Over $45,000 but not over $200,000) 35% (Over $200,000 but not over $500,000) 39.6% (Over $500,000) The income levels would be indexed for inflation using the Chained Consumer Price Index for All Urban Consumers (C-CPI-U) for tax years beginning after 2018. The bill would, for high-income taxpayers, impose a phase out of the tax benefit of the 12% bracket. It would impose an increase in tax at 6% of any excess of adjusted gross income over $1,200,000 in the case of a joint return or surviving spouses, $600,000 in the case of a married individual filing separately, and $1,000,000 for any other individual. These amounts will be adjusted for inflation using C-CPI-U for tax years beginning after 2018. **Capital Gains Tax Rates** Under the zero percent capital gains bracket, the bill would amend the 25% rate to a 15% rate threshold. Under the 15% capital gains bracket, the bill would amend the 39.6% rate to 20% rate threshold. The rate thresholds would be as follows: Married Filing Jointly (and Surviving Spouses): 15% Rate Threshold - $77,200 20% Rate Threshold - $479,000 Married Filing Separately: 15% Rate Threshold - $38,600 20% Rate Threshold - $239,500	Single Individuals: 10% (Taxable income not over $9,525) 12% (Over $9,525 but not over $38,700) 22% (Over $38,700 but not over $70,000) 24% (Over $70,000 but not over $160,000) 32% (Over $160,000 but not over $200,000) 35% (Over $200,000 but not over $500,000) 38.5% (Over $500,000 The new rate structure would apply to tax years beginning after Dec. 31, 2017. It would expire after Dec. 31, 2025, except for the requirement to index amounts for inflation using C-CPI-U. **Capital Gains Tax Rates** Under the plan, the breakpoints between the zero- and 15% rates and the 15- and 20% rates would be the same as the under present law. For tax years beginning in 2018, the rate thresholds would be as follows: Married Filing Jointly (and Surviving Spouses): 15% Rate Threshold - $77,200 20% Rate Threshold - $479,000 Married Filing Separately: 15% Rate Threshold - $38,600 20% Rate Threshold - $239,500

House and Senate Tax Reform Plans

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Individual		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Tax Rates *(cont.)*	Head of Household: 15% Rate Threshold - $51,700 20% Rate Threshold - $452,400 Other Individuals: 15% Rate Threshold - $38,600 20% Rate Threshold - $425,800 The above 15% and 20% threshold amounts would be adjusted for inflation beginning in tax years after 2018. The bill would make this provision effective for tax years beginning after 2017.	Head of Household: 15% Rate Threshold - $51,700 20% Rate Threshold - $452,400 Other Individuals: 15% Rate Threshold - $38,600 20% Rate Threshold - $425,800 The above 15% and 20% threshold amounts would be adjusted for inflation beginning in tax years after 2017. The plan would make this provision effective for tax years beginning after 2017.

House and Senate Tax Reform Plans

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Individual		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Standard Deduction	The bill would increase the standard deduction to the following amounts: $24,400 (joint return or a surviving spouse) $18,300 (unmarried individual with at least one qualifying child) $12,200 (for single filers) The bill would make these rates effective for tax years beginning after 2017. Additionally, the bill would provide that these amounts be adjusted for inflation using the C-CPI-U beginning in tax years after 2019.	Would increase the standard deduction to the following amounts: $24,000 (joint return or a surviving spouse) $18,000 (unmarried individual with at least one qualifying child) $12,000 (for single filers) The plan would retain the enhanced standard deduction for the blind and elderly that is available under current law. The amount of the standard deduction would be indexed for inflation using C- CPI-U beginning in tax years after 2018. ***Enhanced standard deduction amounts would expire after Dec. 31, 2025, but standard deduction amounts would continue to be indexed for inflation using C-CPI-U after Dec. 31, 2025.***
Personal Exemptions	The bill would repeal the deduction for personal exemptions, which would be effective for tax years beginning after Dec. 31, 2017.	The plan would repeal the deduction for personal exemptions, which would be effective for tax years beginning after Dec. 31, 2017. ***Repeal of personal exemptions would expire after Dec. 31, 2025, and that personal exemptions would revert back to their form as they existed before Jan. 1, 2018 at that time.***

House and Senate Tax Reform Plans

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Individual		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Alternative Minimum Tax	The proposal would repeal the existing individual AMT.	The proposal would repeal the existing individual AMT and ***would expire after Dec. 31, 2025.***
Earned Income Tax Credit	Would preserve the Earned Income Tax Credit.	Would preserve the Earned Income Tax Credit.
Miscellaneous Itemized Deductions – 2 Percent Floor	Not directly addressed. However, the bill would deny a deduction for expenses attributable to the trade or business of performing services as an employee, except, for reimbursed expenses included in an employee's income.	Would repeal all miscellaneous itemized deductions that are subject to the 2% floor under present law. ***Would increase the limit for the deduction of certain educator expenses to $500. Effective for tax years beginning after Dec. 31, 2017. Would provide that these changes expire after Dec. 31, 2025, and that miscellaneous itemized deductions would revert back to their form as they existed before Jan. 1, 2018 at that time***.

House and Senate Tax Reform Plans

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Individual		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Limitation on Itemized Deductions	The bill would eliminate the overall limitation on itemized deductions. Under current law, itemized deductions are limited once a taxpayer's adjusted gross income exceeds a threshold amount ($261,500 for single individuals, $313,800 for married couples filing joint returns and surviving spouses; $287,650 for heads of households; $156,900 for married individuals filing separately).	The plan would ***provide that the elimination of the overall limitation on itemized deductions expires after Dec. 31, 2025, and that the limitation would revert back to its form as it existed before Jan. 1, 2018 at that time.***
Mortgage Interest Deduction	The bill would reduce the mortgage interest deduction limitation to $500,000 for debt incurred after Nov. 2, 2017, and the interest would only be deductible on a taxpayer's principal residence. The current limitation is $1,000,000. For refinancing that occurred before Nov. 2, 2017, the refinanced debt would be treated as incurred on the same date as the original debt.	The plan would repeal the mortgage interest deduction with respect to interest on home equity indebtedness. The repeal expires after Dec. 31, 2025, and that the mortgage interest deduction would revert back to its form as it existed before Jan. 1, 2018 at that time. But, the plan would retain the deduction with respect to interest on acquisition indebtedness of up to $1,000,000 ($500,000 for a married person filing a separate return).
State and Local Tax Deduction	The bill would eliminate the itemized deduction for state and local income and sales tax. The bill would allow individuals to deduct up to $10,000 in state and local property taxes.	The plan would eliminate the itemized deduction for all state and local taxes paid by individuals. The plan would only allow a deduction for state and local taxes paid or accrued in carrying on a trade or business. The plan would only allow state and local property taxes imposed on business assets to be deducted. ***These changes expire after Dec. 31, 2025, and the state and local tax deduction would revert back to its form as it existed before Jan. 1, 2018 at that time.***

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Individual		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Charitable Contributions	The bill would (i) increase the AGI limitation on cash contributions from 50% to 60% and would retain the five-year carryover, (ii) repeal the current 80% deduction for contributions made for university athletic seating rights, (iii) provide that the standard mileage rate for charitable use of an automobile would take into account the variable cost of operating an automobile rather than the current 14 cents per mile, and (iv) repeal the exception to the contemporaneous written acknowledgment requirement for contributions of $250 or more when the donee organization files the required return. The changes would apply to contributions made in tax years beginning after 2017.	The plan would increase the AGI limitation on cash contributions from 50% to 60% for tax years beginning after 2017. The plan would not make any change to the carryover period. The plan would repeal the current deduction for contributions to higher education institutions if the taxpayer receives in return the right to purchase tickets or seating at an athletic event. The change would apply to contributions made in tax years beginning after 2017. The Senate plan does not address the standard mileage rate for charitable use of a personal vehicle. ***Repeals the exception to the contemporaneous written acknowledgment requirement for contributions of $250 or more when the donee organization files the required return. Effective for contributions made in tax years beginning after Dec. 31, 2016.***

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Individual		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Limitation on Wagering Losses Deduction	The bill would limit the itemized deduction for all expenses incurred in wager transactions to the extent of wagering winnings for tax years after 2017. Under current law, certain deductions related to gambling are available regardless of gambling winnings.	The plan would clarify the scope of losses for wagering transactions by adding that the limitation on losses includes the actual costs of wagers as well as other expenses incurred in connection with gambling activity (i.e., traveling to and from a casino). ***Provides that the changes to the limitation on wagering loss deductions expire after Dec. 31, 2025, and wagering transaction rules would revert back to their form as they existed before Jan. 1, 2018 at that time.***
Tax Preparation Services Deduction	The bill would eliminate the itemized deduction for tax preparation services for tax years beginning after 2017.	The plan would eliminate the itemized deduction for tax preparation services. ***Provides that the elimination of the itemized deduction for tax preparation services expire after Dec. 31, 2025, and that the tax preparation services deduction would revert back to its form as it existed before Jan. 1, 2018 at that time.***
Medical Expense Deduction	The bill would eliminate the itemized deduction for medical expenses for tax years beginning after 2017. Under current law, taxpayers may deduct out-of-pocket medical expenses to the extent that the medical expenses exceed 10% of the adjusted gross income.	Would preserve the current deduction for medical expenses.

House and Senate Tax Reform Plans

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Individual		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Alimony Payments Deduction	The bill would eliminate the current above- the-line deduction for alimony payments. The bill would not require the payee receiving alimony payments to include alimony payments into income. This provision would be effective for divorce decrees, separation agreements, and certain modifications entered into after 2017.	Not addressed.
Moving Expenses Deduction	The bill would generally eliminate the deduction that is available for moving expenses incurred when starting a new job in a new location at least 50 miles farther from the taxpayer's former residence. However, the deduction would still be available for members of the armed forces. The provision would be effective for tax years beginning after Dec. 31, 2017.	The plan would generally repeal the deduction for moving expenses. The deduction would still be available for members of the armed forces for amounts attributable to certain expenses (in-kind moving and storage expenses). ***Provides that the modifications to the moving expense deduction expire after Dec. 31, 2025 and would revert back to its form as it existed before Jan. 1, 2018 at that time.***
Expenses Attributable to the Trade or Business of Being an Employee	The bill would deny a deduction for expenses attributable to the trade or business of performing services as an employee and eliminate above-the-line deductions for performing artists, government officials, and teachers. However, the bill would preserve above-the-line deductions for reimbursed expenses included in an employee's income and for expenses for members of reserve components of the United States military.	Not directly addressed. However, the plan would repeal all miscellaneous itemized deductions that are subject to the 2% floor under present law, including expenses attributable to the trade or business of performing services as an employee. ***Increases the limit for the deduction of certain educator expenses to $500. Effective for tax years beginning after December 31, 2017.***

House and Senate Tax Reform Plans

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Individual		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Enhancement of Child Tax Credit and New Family Tax Credit	Under the bill, the credit for children under age 17 would be increased to $1,600. Alternatively, a credit of $300 would be allowed for non-child dependents. In addition, a family flexibility credit of $300 would be allowed with respect to the taxpayer (each spouse in the case of a joint return) who is neither a child nor a non-child dependent. The family flexibility credit and the non-child dependent credit would be effective for tax years ending before Jan. 1, 2023. The phase out for the combined child credit, the non-child dependent credit, and the credit for other taxpayers would be increased to $230,000 (for joint filers), and to $115,000 (for single filers). The bill would impose additional identification requirements for taxpayers claiming the child tax credit. A credit will not be allowed if a taxpayer fails to provide the name and social security number of a qualifying child on the taxpayer's tax return, or, with respect to other individuals, the individual's taxpayer identification number. The provision would be effective for tax years beginning after 2017.	The plan would preserve the child and dependent care tax credit. Under the plan, the child tax credit would be increased to ***$2,000***. The plan would increase the age limit for a qualifying child by one year so that a taxpayer may claim the credit for any qualifying child under the age of 18. The plan would provide a $500 nonrefundable credit for dependents other than qualifying children (generally retaining the current law definition of dependent). The plan would increase the threshold amount where the credit would begin to phase out to $500,000 (for married taxpayers filing a joint return), and $500,000 (for all other taxpayers). These amounts are not indexed for inflation. The plan would lower the refundable portion of the credit threshold to $2,500. The plan would index the maximum amount refundable ($1,000) for inflation with a base year of 2017, rounding up to the nearest $100 (the threshold in 2018 would be $1,100). Additionally, the plan would require that a taxpayer provide the social security number of each qualifying child that is claimed on the tax return in order to receive the refundable portion of the child tax credit. Effective for tax years beginning after Dec. 31, 2017. These changes would expire after Dec. 31, 2025, and the child tax credit would revert back to its form as it existed before Jan. 1, 2018 at that time.

House and Senate Tax Reform Plans

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Individual		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
American Opportunity Tax Credit	Under the bill, the three existing higher education tax credits (American Opportunity Tax Credit (AOTC), Hope Scholarship Credit (HSC), and Lifetime Learning Credit (LLC)) would be consolidated into a new, enhanced AOTC. The new AOTC, like the current AOTC, would provide a 100% tax credit for the first $2,000 of certain higher education expenses and a 25% tax credit for the next $2,000 of such expenses. The AOTC would also be available for a fifth year of post-secondary education at half the rate as the first four years, with up to $500 of such credit being refundable. The provision would be effective for tax years beginning after 2017.	Would provide education relief for graduate students.
Consolidation of Education Savings Rules	Under the bill, new contributions to Coverdell education savings accounts after 2017 (except rollover contributions) would be prohibited, but tax-free rollovers from Coverdell accounts into §529 plans would be allowed. Elementary and high school expenses of up to $10,000 per year would be qualified expenses for §529 plans. The provision would be effective for contributions and distributions made after 2017.	Would provide additional ways for parents to save for the education costs of their unborn children. ***Effective for contributions made after Dec. 31, 2017. Would sunset after Dec. 31, 2025 and revert back to its form as it existed before Jan. 1, 2018 at that time.***

House and Senate Tax Reform Plans

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Individual		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Reforms to Discharge of Certain Student Loan Indebtedness	Under the bill, any income resulting from the discharge of student debt on account of death or total disability of the student would be excluded from taxable income. The provision would be effective for discharges of indebtedness received after 2017 and amounts received in tax years beginning after 2017.	***The plan would exclude from taxable income, income resulting from the discharge of certain student debt on account of the death or total and permanent disability of the student.*** ***Effective for loans discharged after Dec. 31, 2017.***
Repeal of Other Provisions Relating to Education	Under the bill, the deduction for interest on education loans and the deduction for qualified tuition and related expenses would be repealed. The exclusion for interest on United States savings bonds used to pay qualified higher education expenses, the exclusion for qualified tuition reduction programs, and the exclusion for employer- provided education assistance programs would also be repealed. The exclusion for education assistance programs would be effective for amounts paid or incurred after 2017. The other provisions would be effective for tax years beginning after 2017.	Not addressed.
Gain from Sale of a Principal Residence Exclusion	The bill would continue to exclude from gross income up to $500,000 ($250,000 for other filers) from the sale of a principal residence, but only if the taxpayer owned and used the home as such for five out of the previous eight years. The exclusion would only be available once every five years and would begin to phase out by one dollar for every dollar by which the taxpayer's gross income exceeds $250,000 ($500,000 for joint filers). The provision would be effective for sales and exchanges after 2017.	The plan would provide that the exclusion be available only if the taxpayer has owned and used the residence as a principal residence for at least five of the eight years with an exception for taxpayers that change places of employment, health, or unforeseen circumstances (equal to a fraction of the $250,000, or $500,000 if married filing a joint return). The plan would limit the ability of taxpayer's to use the exclusion to once every five years. ***Provides that the modifications to the exclusion of gain from the sale of a principal residence expire after Dec. 31, 2025, and that the exclusion of gain from the sale of a principal residence would revert back to its form as it existed before Jan. 1, 2018 at that time.***

House and Senate Tax Reform Plans

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Individual		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Exclusion for Qualified Moving Expense Reimbursements	Effective after Dec. 31, 2017 the bill would repeal the exclusion for qualified moving expense reimbursements – such reimbursements would constitute taxable income.	The plan would repeal the exclusion from gross income for qualified moving expense reimbursements. ***Provides that the repeal of the exclusion for qualified moving reimbursements expires after Dec. 31, 2025, and treatment of qualified moving expense reimbursements would revert back to its form as it existed before Jan. 1, 2018 at that time.***
Exclusion for Adoptions Assistance Programs	Effective after Dec. 31, 2017, the bill would repeal the exclusion for adoption assistance programs.	Not addressed.
Filing Requirements for Individuals over 65 Years of Age	Not addressed.	***Would require the IRS to provide a simplified tax return (Form 1065SR) for use by persons who are age 65 or older. Effective for tax years beginning after Dec. 31, 2017.***

House and Senate Tax Reform Plans

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Estates, Gifts & Trusts		
Topic	**House Bill (H.R. 1)**	**Senate Plan**
Estate and Gift Taxes	The bill would increase the federal estate and gift tax unified credit basic exclusion amount to $10,000,000 (with inflation adjustments), effective for decedents dying and gifts made after 2017. The bill would repeal the federal estate tax, effective for decedents dying after 2024 (while retaining the provision allowing a "stepped-up" income tax basis at death). The bill would lower the federal gift tax rate from 40% to 35%, effective for gifts made after 2024.	The plan would increase the federal estate and gift tax unified credit basic exclusion amount to $10,000,000 (with inflation adjustments from 2011), effective for decedents dying and gifts made after 2017. The plan does not provide for a repeal of the estate tax at any point in the future. ***Provides that the increase in the unified credit basic exclusion amount would expire for decedents dying and gifts made after 2025, and would revert back to the amount provided before Jan. 1, 2018.***
Generation-Skipping Transfer Tax	The bill would increase the federal GST exemption amount to $10,000,000 (with inflation adjustments), effective for generation-skipping transfers made after 2017. The bill would repeal the federal generation-skipping transfer tax, effective for generation-skipping transfers made after 2024.	The plan would increase the federal GST exemption amount to $10,000,000 (with inflation adjustments), effective for generation-skipping transfers made after 2017. The plan does not provide for a repeal of the generation-skipping transfer tax at any point in the future. ***Provides that the increase in the unified credit basic exclusion amount would expire for decedents dying and gifts made after 2025, and would revert back to the amount provided before Jan. 1, 2018.***