

TAX ALERT

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Senate Republican tax plan released Nov. 9, 2017: How it differs from the House plan



The Senate Finance Committee released its version of the Tax Cuts and Jobs Act on Nov. 9, 2017. Like the House version, it is subject to Senate amendments and eventually House-Senate reconciliation. The Senate version differs from the House bill released on Nov. 2 in several key ways.

Among the more significant differences in the Senate bill from the [House bill](#) are:

Individuals

- Preserves seven tax brackets: top tax bracket is 38.5 percent, down from 39.6 percent. The lowest bracket would be 10 percent, unlike the House bill which has a 12 percent lowest bracket.
- Eliminates fewer personal income tax deductions than the House bill, including keeping a deduction for certain medical expenses.
- Fully eliminates all state and local income and property tax deductions. The House bill retained a deduction for property taxes of up to \$10,000 annually.

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- **Retains** several key deductions and credits:
 - Like the House bill, it retains the charitable deduction.
 - The home mortgage interest deduction would remain at current \$1 million limit, rather than reducing it to \$500,000 as under the House bill.
 - Raises the child tax credit to \$1,600 from \$1,000.
 - Retains the electric vehicle credit.
- Unlike the House bill, the Senate bill retains the estate tax. But, like the House bill, the Senate bill immediately doubles the exemption to \$10 million indexed for inflation. The basis step-up at death rules are retained.

Businesses

- Lowers the corporate tax rate to 20 percent, but unlike the House bill, the tax cut is delayed until Jan. 1, 2019.
- Sets 10 percent tax rate for U.S. companies with IP in foreign low-tax jurisdictions.
- Generally allows full expensing of capital investments for five years, with some exceptions.
- Makes less drastic cuts to tax-exempt bonds, including keeping private facility bonds used for private investments including low-income housing.
- Reduces the more commonly used variation of the historic tax credit from 20 percent to 10 percent and eliminates the 10 percent credit. The House bill fully eliminated the historic tax credit.
- Many "pass-throughs" would be able to deduct 17.4 percent of their income, but not some types of service businesses.

For more information or assistance, please contact [Mark Snider](#), [Jim Mattimoe](#), [Dave Tumen](#) or any member of Porter Wright's [Tax Practice Group](#).