



Political Update: House Republicans released their tax reform legislation “Tax Cuts and Jobs Act”

- Reaction is mixed with many groups supportive and many opposed to the bill.
- As expected it included the elimination of the SALT deduction for income and sales taxes. While it retained the property taxes deduction, it capped the deduction at \$10,000.

“Tax Cuts and Jobs Act” Rough Overview

The below is an overview of key changes in the legislation. It is by no means an exhaustive list. The text of the legislation can be found here:

https://waysandmeansforms.house.gov/uploadedfiles/bill_text.pdf

INDIVIDUAL TAXES

STANDARD DEDUCTION

Current law for 2017: \$12,700 (married); \$9,350 (head of household); \$6,350 (single)

Proposed for 2018: \$24,400 (married); \$18,300 (head of household); \$12,200 (single)

PERSONAL EXEMPTION

Current law for 2017: \$4,050

Proposed: Repealed

CHILD TAX CREDIT

Current law: \$1,000

Proposed: \$1,600 plus \$300 each for the taxpayer, a spouse and any non-child dependents

Credits Phased out at \$230k for couples. Non-child credit sunsets after 5 years.

STATE AND LOCAL TAXES

Current law: Itemized deduction

Proposed: Deduction capped at \$10,000 for property tax only, income and sales tax deduction eliminated.

MORTGAGE INTEREST DEDUCTION

Current law: Itemized deduction on loans up to \$1 million

Proposed: Itemized deduction for loans up to \$500,000 on new home purchases

HOME SALE GAINS DEDUCTION

The proposal retains the current exclusion—\$500,000 for married filers and \$250,000 for others. But unlike current law, the benefit would phase out for high-income taxpayers, getting reduced once adjusted gross income hits \$500,000 for married couples and \$250,000 for others.

ALTERNATIVE MINIMUM TAX

Current law: Parallel tax that disallows personal exemptions and state deductions

Proposed: Repealed

RETIREMENT ACCOUNTS

Current law: 401(k) plans allow pretax deferral of up to \$18,000

Proposed: Minor changes

ESTATE TAX

Current law: estates of \$5 million or less excluded;

Proposed: estates of \$10 million or less are excluded.

OTHER ITEMS REPEALED

- Rehabilitation credit for historic buildings
- Work opportunity credit for hiring employees for certain disadvantaged groups.
- Additional standard deduction for the elderly.
- Credits for disabled retired persons.
- Credits for electric vehicle ownership.
- New markets tax credit for investments in struggling areas.
- Deduction for child care.
- Itemized deduction for medical expenses, a crucial provision to households with extraordinary health-care costs.
- Adoption tax credits.
- Deduction for student-loan interest.
- Personal casualty loss deduction (ex. fire that burns down your house)

CORPORATE REFORMS

- Corporate rate permanently at 20%
- Private Activity Bonds (PABs) are repealed.
- Tax credits for employer-provided child care are repealed.
- Businesses would lose the ability to deduct certain executive compensation above \$1 million, which they can now do for performance-based pay.
- Life insurers would lose some tax breaks.
- Banks with assets exceeding \$50 billion would get no deduction for certain payments to the Federal Deposit Insurance Commission.
- Tax-exempt bonds could no longer be used to build professional sports stadiums.
- Private universities with assets exceeding \$100,000 a student would pay a new 1.4% excise tax on their net investment income.
- Businesses would no longer be able to deduct entertainment expenses, though today's rules for business meals would remain.

CHURCHES AND NON-PROFITS

Nonprofits such as churches, hospitals and universities would receive more leeway on their ability to endorse candidates and engage in politics.

News

Don't celebrate those cuts just yet. This tax overhaul could leave you high and dry.

<https://www.cnbc.com/2017/11/02/dont-celebrate-those-cuts-just-yet-this-tax-overhaul-could-leave-you-high-and-dry.html>

Blue states will be hit hardest by GOP tax plan's limits on deductions

https://www.washingtonpost.com/news/wonk/wp/2017/11/02/the-gop-tax-plan-limits-deductions-used-in-blue-states/?utm_term=.41b026a06e01

NY, NJ Republicans show early opposition to tax bill

<http://thehill.com/homenews/house/358458-ny-nj-republicans-oppose-tax-bill>

GOP tax plan would mean radical changes for Western New York

<http://buffalonews.com/2017/11/02/gop-tax-plan-would-mean-radical-changes-for-wny/>

Statements of Opposition

NJs @RepTomMacArthur - who yesterday was moving in favor of tax bill - says cap on mortgage deduction is a surprise & setback

NY GOP Rep Lee Zeldin on GOP tax reform bill: "I am a No to this bill in its current form" opposes SALT language in the bill

"I'm still analyzing it, but right now, I'm strongly leaning no," Rep. [Pete King](#) (R-N.Y.) said.

"We're still in the process of fighting for it," Rep. Dan Donovan (R-N.Y.) told reporters when asked about the SALT deduction.

Rep. Frank LoBiondo (R-N.J.) "I am working with my fellow New Jersey and New York colleagues on a counterproposal to preserve these deductions and truly make this reform a net positive for the residents of South Jersey,"

Rep. Leonard Lance (R-N.J.), said he is "going to continue to negotiate" on the SALT issue. "There is much to like in the legislation but the proposed cap on deductibility of state and local taxes makes the bill unacceptable at this time,"

"Any changes to the Johnson Amendment present an existential threat to the work of charitable nonprofits, foundations and houses of worship. We cannot effectively serve our communities if we are invaded by the divisiveness of partisan politics... Nonprofits don't want this change. Houses of worship don't want this change. Foundations don't want this change. Law enforcement doesn't want this change. The Johnson Amendment has served our nation well for more than 60 years. Don't mess with something that isn't broken." – Tim Delaney, **National Council of Nonprofits**,

"We see this bill as yet another attempt to limit local control and pass the cost of action in Washington onto city halls throughout the nation... Hundreds of local and state governments levy income and sales taxes to pay for community development, schools and public safety under the premise that their residents will not face double taxation from the federal government. Today's legislation nullifies this 104-year-old relationship and forces local and state leaders to choose between double taxing residents or cutting vital services." – Matt Zone, **National League of Cities**,

“The House Republican tax reform plan abandons middle-class taxpayers in favor of high-income Americans and wealthy corporations. The bill eviscerates existing housing tax benefits by drastically reducing the number of homeowners who can take advantage of mortgage interest and property tax incentives... And capping mortgage interest at \$500,000 for new home purchases means that home buyers in expensive markets will effectively lose this housing tax benefit moving forward.” – Granger MacDonald, **National Association of Home Builders**

“The legislation, as currently proposed, will make higher education less affordable and less accessible to middle- and low-income Americans... Eliminating employer-provided educational assistance, the student loan interest deduction, and other critical higher education tax provisions is counterproductive as it undermines the very workforce Congress seeks to support. Pro-growth tax reform should expand these student benefits to foster a more highly-educated and skilled workforce.” – Mary Sue Coleman, **Association of American Universities**

“Placing a limitation on the deduction of interest expense—a normal cost of doing business—amounts to a new tax on American job creators who borrow to invest and grow. This policy change would harm the global competitiveness of businesses across all sectors of the U.S. economy, from manufacturing, to agriculture, to telecommunications and broadband.” – Mac O’Brien, spokesman for **BUILD Coalition**, a business lobby

“The House Ways & Means Committee proposal, as drafted, will unfairly damage the thousands of small and family-owned businesses that organize as pass-through entities. This includes the majority of U.S. architecture firms. It undercuts the design and construction sector’s role as a primary catalyst of job growth in the American economy. The American Institute of Architects cannot support it as drafted.” – Thomas Vonier, **American Institute of Architects**.

“While NFU supports efforts to simplify the tax code, we adamantly oppose the overarching elements of this plan because they shift the nation’s tax burden from the top earners in our country to the backs of American family farmers, ranchers and the middle class. This plan offers significant tax cuts for corporations and the wealthy. It repeals the estate tax, a significant revenue generator that affects only the wealthiest in our nation. And it does not provide adequate offsets for these cuts, translating to a \$1.51 trillion increase to our federal deficit.” – Roger Johnson, **National Farmers Union**

“The House proposal would pull the rug out from under 100,000 U.S. wind workers and 500 American factories, including some of the fastest growing jobs in the country.” – Tom Kiernan, **American Wind Energy Association**

“This tax bill is a job killer. It gives hundreds of billions of dollars in tax breaks to companies that outsource jobs and profits. No matter how it’s spun by Republican politicians, their tax bill is nothing but giveaways to Wall Street, big corporations and millionaires, paid for on the backs of working families.” – Richard Trumka, **AFL-CIO**