



Tax Reform: Plan Comparison



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	Current 2016 Tax Policies	House Republican’s Tax Reform Plan	President Donald Trump’s Tax Reform Plan
Business Tax	<ul style="list-style-type: none"> • 8 Corporate Tax Rates: 15%, 25%, 34%, 39%, 34%, 35%, 38%, 35% (1) • Personal Service Corporations <ul style="list-style-type: none"> - Flat Tax of 35% • Personal Holding Company <ul style="list-style-type: none"> - Subject to an additional tax at 20% on accumulated taxable income in excess of \$250,000 (\$150,000 for personal service corporations) 	<ul style="list-style-type: none"> • Reduce Corporate Income Tax Rate from 35% to 20%. • Taxes income derived from pass-through businesses at a maximum rate of 25 percent. • Allow the cost of capital investment to be fully and immediately deductible. • Restricts the deduction for net operating losses to 90 percent of net taxable income and allows net operating losses to be carried forward indefinitely, and increased by a factor reflecting inflation and the real return to capital. Does not allow net operating losses to be carried back. • Creates a fully territorial tax system, exempting from U.S. tax 100 percent of dividends from foreign subsidiaries. • Enacts a deemed repatriation of currently deferred foreign profits, at a tax rate of 8.75 percent for cash and cash-equivalent profits and 3.5 percent on other profits. • Modifies all business income taxes to be border-adjustable, disallowing the deduction for purchases from nonresidents and exempting export profits and foreign-derived profits from taxation. • Eliminates <ul style="list-style-type: none"> • Corporate Alternative Minimum Tax • Deductibility of Net Interest Expense on Future Loans. • Domestic Production Activities Deduction (Section 199) and all other business credits, except for the research and development credits 	<ul style="list-style-type: none"> • Reduces the corporate income tax rate from 35% to 15%. • Allows firms engaged in manufacturing in the U.S. to choose between the full expensing of capital investment and the deductibility of interest paid. • Enacts a deemed repatriation of currently deferred foreign profits, at a tax rate of 10 percent. • Increases the cap for the tax credit for employer-provided day care under Sec. 205 of the Economic Growth and Tax Relief Reconciliation Act of 2001 from \$150,000 to \$500,000 and reduces its recapture period from 10 years to 5. • Eliminates <ul style="list-style-type: none"> • Corporate Alternative Minimum Tax. • Domestic Production Activities Deduction (Section 199) and all other business credits, except for the research and development credit.



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Individual Tax	<ul style="list-style-type: none"> • 7 Tax Bracket Rates: 10%, 15%, 25%, 28%, 33%, 35%, 39.6% (2) • 3 Capital Gains and Dividends Rates: 0%, 15%, 20% (2) • Standard Deductions: <ul style="list-style-type: none"> - Single: \$6,300 - MFJ: \$12,600 - HOH: \$9,300 • Personal Exemption: \$4,050 • Alternative Minimum Tax: <ul style="list-style-type: none"> - Single: \$53,900 - MFJ: \$83,800 - MFS: \$41,900 • Pease Limitation on Itemized Deductions: <ul style="list-style-type: none"> - Single: \$259,400 - MFJ: \$311,300 - HOH: \$285,350 • Maximum Earned Income Tax Credit/ Child Tax Credit: <ul style="list-style-type: none"> - No children: \$506 - 1 child: \$3,373 - 2 children: \$5,572 - 3+ children: \$6,268 	<ul style="list-style-type: none"> • 3 Tax Bracket Rates: 12%, 25%, and 33% (3) • Taxes capital gains and dividends as ordinary income and provides a 50 percent exclusion of capital gains, dividends, and interest income. (3) <ul style="list-style-type: none"> - This is equivalent to taxing capital gains, dividends, and interest income at half the rate of ordinary income, with three brackets of 6 percent, 12.5 percent, and 16.5 percent • Increases the standard deduction <ul style="list-style-type: none"> - Single: From \$6,300 to \$12,000 - MFJ: from \$12,600 to \$24,000 - HOH: from \$9,300 to \$18,000 • Increases the Child Tax Credit to \$1,500 per child, limits the refundability of the credit to \$1,000, and raises the phaseout threshold for the Child Tax Credit for married households from \$110,000 to \$150,000. • Eliminates <ul style="list-style-type: none"> - Personal exemption (Which creates a \$500 non-refundable credit for dependents who are not children.) - All itemized deductions besides the mortgage interest deduction and the charitable contribution deduction. - Individual Alternative Minimum Tax 	<ul style="list-style-type: none"> • 3 Tax Brackets Rates: 12%, 25%, and 33% (4) • New Capital Gains and Dividends to the new bracket (4) • Makes childcare costs deductible from adjusted gross income for most Americans (above-the-line), up to the average cost of care in their state. <ul style="list-style-type: none"> - The deduction would be phased out for individuals earning more than \$250,000 or couples earning more than \$500,000. • Offers credits (“spending rebates”) of up to \$1,200 a year for childcare expenses to lower-income families, through the earned income tax credit. • Creates new saving accounts for care for children or elderly parents, or school tuitions, and offers a 50 percent match of contributions (not modeled). • Caps itemized deductions at \$100,000 for single filers and \$200,000 for married couples filing jointly. • Taxes carried interest as ordinary income. • Increase the Standard Deduction: <ul style="list-style-type: none"> - Single: From \$6,300 to \$15,000 - MFJ: From \$12,600 TO \$30,000 • Eliminates <ul style="list-style-type: none"> - Head of Household filing status - Net Investment Income Tax - Personal Exemption (Introduce other childcare- related tax provision) • Individual Alternative Minimum tax
Estate and Gift Tax	<ul style="list-style-type: none"> • Estate Tax: \$5,450,000 (40% top tax rate) • Gift Tax Exclusion: \$14,000 	<ul style="list-style-type: none"> • Eliminate Federal Estate and Gift taxes 	<ul style="list-style-type: none"> • Eliminate the Federal Estate and Gift but disallows step-up in basis estates over \$10 million



Tax Reform: Rate Comparison

1. Current Corporate Tax Rates

Tax Rate	Taxable Income
15%	\$0-\$50,000
25%	\$50,000-\$75,000
34%	\$75,000-\$100,000
39%	\$100,000- \$335,000
34%	\$335,000-\$10,000,000
35%	\$10,000,000-\$15,000,000
38%	\$15,000,000-\$18,333,333
35%	\$18,333,333+

2. Current Individual Tax Rates

Ordinary Income Rate	Capital Gains Rate	Single Filers	Married Joint Filer	Head of Household Filers
10%	0%	\$0-\$9,275	\$0-\$18,550	\$0-\$13,250
15%	0%	\$9,275- \$37,650	\$18,550 - \$75,300	\$13,250- \$50,400
25%	15%	\$37,650- \$91,150	\$75,300-\$151,900	\$50,400- \$130,150
28%	15%	\$91,150- \$190,150	\$151,900- \$231,450	\$130,150- \$210,800
33%	15%	\$190,150- \$413,350	\$231,450- \$413,350	\$210,800-\$413,350
35%	15%	\$413,350 to \$415,050	\$413,350- \$466,950	\$413,350-\$441,000
39.6%	20%	\$415,050 +	\$466,950 +	\$441,000 +

3. House Republican Tax Reform Tax Plan

Ordinary Income Rate	Capital Gains Rate	Single Filers	Married Joint Filers	Head of Household Filers
12%	6%	\$0- \$37,650	\$0-\$75,300	\$0-\$50,400
25%	12.5%	\$37,650-\$190,150	\$75,300-\$231,450	\$50,400-\$210,800
33%	16.5%	\$190,150+	\$231,450+	\$210,800+

4. Trump Individual Income Tax Plan

Ordinary Income Rate	Capital Gains Rate	Single Filers	Married Joint Filers	Head of Household Filers
12%	0%	\$0 to \$37,500	\$0 to \$75,000	N/A
25%	15%	\$37,500 to \$112,500	\$75,000 to \$225,000	N/A
33%	20%	\$112,500+	\$225,000+	N/A

**Note that under President Donald Trump's Tax Plan there is no Head of Household.