

Tax Reform Highlights



Big Thinking. Personal Focus.

Potential Tax Reform on The Horizon

There are currently four models for potential tax reform, President Trump campaign proposals, House Republican Tax Blueprint, Trump Outline and the Big Six Framework.

Topic	Current Tax Law	Trump Tax Plan	GOP A Better Way Tax Plan	Trump Outline 4/26/17	Big Six Unified Framework
Individual Tax Rates	7 rates: 10, 15, 25, 28, 33, 35, and 39.6%	3 rates: 12, 25, and 33%	Same as Trump Tax Plan	3 rates: 10, 25, and 35%	3 rates: 12, 25, and 35%
Standard Deduction	Single: \$6,350 HOH: \$9,350 MFJ: \$12,700	Single: \$15,000 MFJ: \$30,000	Single \$12,000 HOH: \$18,000 MFJ: \$24,000	Double the current standard deduction	Single \$12,000 MFJ: \$24,000
Personal Exemptions	\$4,050 per individual	Eliminate	Eliminate	No discussion	Eliminate
Itemized Deductions		Capped at: Single \$100,000 MFJ \$200,000	Eliminate all except mortgage interest and charitable contributions	Keep mortgage interest and charitable contributions	Eliminate most except mortgage interest and charitable contributions
AMT (Individual)	The sum of 26% of amount less than \$187,800 plus 28% of amounts in excess of \$187,800	Repeal	Repeal	Repeal	Repeal
Net Investment Income Tax	3.8% tax on Net Investment Income	Repeal	Repeal	Repeal	No Discussion

Tax Reform Highlights (Continued)



Big Thinking. Personal Focus.

Topic	Current Tax Law	Trump Tax Plan	GOP A Better Way Tax Plan	Trump Outline 4/26/17	Big Six Unified Framework
Investment Income : Interest, Capital Gains, Dividends	LT CG & Qual. Div.: 0, 15, and 20% Int. & ST CG: taxed at ordinary rates	Maximum rate of 20%	Deduction for 50% of net capital gains, dividends, and interest income leading to rates of 6, 12.5, and 16.5%	No discussion	No discussion
Corporate Tax Rates	Graduated rate schedule with maximum 35%	15% flat tax	20% flat tax	15% flat tax	20% flat tax
Taxation of Pass-Through Entities	Income from partnerships and S-Corporations passed through to partner and taxed at ordinary rates	15% flat tax	Max rate of 25% of income from sole proprietorship and pass-through entities. Deduction for reasonable comp paid to owner	15% flat tax	Max rate of 25% of income from sole proprietorship and pass-through entities. Deduction for reasonable comp paid to owner
Corporate AMT	20% of income above \$40,000	Repeal	Repeal	Repeal	Repeal

Tax Reform Highlights (Continued)



Big Thinking. Personal Focus.

Topic	Current Tax Law	Trump Tax Plan	GOP A Better Way Tax Plan	Trump Outline 4/26/17	Big Six Unified Framework
Business Deductions/Credits	Businesses can deduct ordinary and necessary businesses expenses. Many deductions and credits targeted to specific groups and taxpayers	Eliminate most business deductions and credits, except the research credit	<p>Full and immediate write-off of business investment (tangible and intangible)</p> <p>Allow deduction of interest expense against interest income but no deduction for net interest expense</p> <p>Eliminate "special interest" deductions (DPAD). Keep R&D credit</p>	Eliminate special interest tax breaks	<p>Full and immediate write-off of business investment excluding structures for 5 years</p> <p>Allow deduction of interest expense against interest income but limited deduction for net interest expense</p> <p>Eliminate "special interest" deductions (DPAD). Keep R&D credit</p>
Estate Tax	For 2017, rate is 40% with lifetime exclusion of \$5,490,000	Repeal. Capital gain held until death, valued over \$10MM subject to tax.	Repeal	Repeal	Repeal

Tax Reform Highlights (Continued)



Big Thinking. Personal Focus.

Topic	Current Tax Law	Trump Tax Plan	GOP A Better Way Tax Plan	Trump Outline 4/26/17	Big Six Unified Framework
Imports and Exports	Worldwide tax system	No discussion	Destination based cash flow tax. No tax revenues of exports. No deductions for expenses of imports	No discussion	No discussion
Taxation of Foreign Income	Worldwide tax system	No discussion	Active business income not subject to US tax. 100% exemption for dividends from foreign subsidiary	Territorial tax system	Territorial tax system – foreign profits taxed at a reduced rate for US Corps
Repatriation	Subpart F rules for tax passive income and selectively tax components of active income	One time 10% tax on deemed repatriated profits held offshore. No discussion on continuing income	8.75% rate for accumulated foreign earnings (cash); 3.5% for other earnings paid over 8 years Repeal most of Subpart F	One time tax on deemed repatriated profits held offshore. No tax rate discussed	One time tax on deemed repatriated profits held offshore. Reduced tax rate for earnings held in illiquid assets
Carried Interest	Taxed at capital gains rate	Tax at ordinary rate	No discussion	No discussion	No discussion