



Construction Industry Round Table

Legislative News

A force for positive change in the design/ construction industry

11/22/2017 – Senate to Work Through Thanksgiving Day Weekend on Tax Reform Bill

The Senate is expected to vote on its comprehensive tax plan next week, as Congress pushes ahead with a self-imposed timeline of enacting significant tax reform by year's end. Republicans cleared the first hurdle in the Senate late on Nov. 16 when the Finance Committee approved the tax bill on a party-line 14-12 vote. But with no sign of bipartisan support, Republican leaders are still trying to line-up votes for the package next week, with Sen. Ron Johnson (R-WI); Jeff Flake (R-AZ); and Bob Corker (R-TN) possibly in the "no" column (with some others also still noncommittal or voicing skepticism about the inclusion of the repeal of the Affordable Care Act's individual mandate in the tax plan).

The focus of interest for CIRT are the business tax matters being considered for reform: (1) dropping the top rate to 20% for businesses which will help middle income workers and improve company assets (we support IMMEDIATE implementation of the new rates and not wait until 2019), (2) we also support pass through provisions, (3) accelerated expensing to ignite all types of businesses to reinvest in capital assets, etc. and (4) a one-time repatriation tax on off-shore funds to be applied to infrastructure needs, to expand the economy, create more jobs, and improve our competitive edge in the global market place.

While the "devil is in the details," Senate Republican leaders have already said more changes to the plan are likely when the bill is debated by the full Senate. Time to weigh-in on this important measure, is NOW. Contact your Senators, and those mentioned above, to voice your support for a tax reform bill being passed by the Senate THIS YEAR.

Below is a summary of all the major provisions of the House version of the package.

- **Individual Income Tax Rates and Brackets:** Consolidates current seven income tax rates into four, while retaining the top marginal rate of 39.6 percent and including an income recapture provision which phases out the effect of the 12 percent bracket for high earners.
- **Standard Deduction:** Increases the standard deduction to \$12,200 for single filers, \$18,300 for heads of household, and \$24,400 for joint filers.
- **Itemized Deductions:** Retains the state and local property tax deduction, capped at \$10,000, while eliminating the remainder of the state and local tax deduction, except for taxes paid or accrued in carrying on a trade or business; limits the mortgage interest deduction to the first \$500,000 in principal value.
- **Child and Family Tax Credits:** Increases child tax credit value to \$1,600, with the phaseout for joint filers beginning at \$230,000, while creating a new \$300 per-person family tax credit for those not eligible for the child tax credit, to expire after five years.
- **Treatment of Pass-Through Income:** Caps the pass-through rate at 25 percent and adds a lower minimum rate, with anti-abuse rules.
- **Corporate Income Tax:** Cuts the tax rate to 20 percent, effective tax year 2018.
- **Capital Investment:** Increases the Section 179 small business expensing cap from \$500,000 to \$5 million, with the phaseout beginning at \$20 million, and maintains current depreciation schedules for real property.
- **Tax Treatment of Interest:** Caps net interest deduction at 30 percent of earnings before interest, taxes, depreciation, and amortization (EBITDA).
- **Business Credits and Deductions:** Eliminates credits for orphan drugs, energy, private activity bonds, rehabilitation, and contributions for capital, among others.
- **International Income:** Moves to a territorial system with base-erosion rules.
- **Deemed Repatriation:** Enacts deemed repatriation of currently deferred foreign profits at a rate of 14 percent for liquid assets and 7 percent for illiquid assets.
- **Estate Tax:** Increases exemption to \$10 million, indexed for inflation, with repeal after six years.

[SOURCE: Tax Foundation, <https://taxfoundation.org/house-takes-big-step-forward-tax-reform/>]