



Current Federal Tax Developments

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Tax Cuts and Jobs Act

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Comprehensive Tax Reform

On November 2, the first draft of the proposed comprehensive tax reform was released. The bill, HR1 Tax Reform and Jobs Act, is an attempt to enact the most significant tax legislation since the Tax Reform Act of 1986. At the time of its release, Congressional leadership were hoping to have a version of the bill passed by both the House and Senate by the Thanksgiving recess, with a conference committee convening in December. The goal is to have a bill ready for the President's signature by Christmas.

However there are a number of hurdles the bill must clear before that would happen. Most taxpayers will find the bill has some provisions that appeal to the taxpayer, but other provisions are far less palatable.

In this section we summarize the proposals as they existed when this chapter was written. The details of the bills continue to change, and it is likely any final bill will contain some provisions not found in either the House or Senate Bill as they currently exist.

House Bill

The House of Representatives passed their version of the bill by 227-205 vote. The original version released to the Ways and Means Committee was modified by two later sets of amendments proposed by Chairman Brady.

A detailed summary of the original bill was released by the Ways and Means Committee staff (*Tax Cuts and Jobs Act H.R. 1 Section by Section Summary*) and a longer analysis was published by the Joint Committee on Taxation (*JCX-50-17 Description Of H.R. 1, The "Tax Cuts And Jobs Act"*). The Joint Committee produced later analyses of the two sets of amendments.

Standard Deduction and Personal Exemptions

The standard deductions is nearly doubled

- \$12,200 single
- \$18,300 for head of household
- \$24,400 married filing joint

But the law eliminates the personal exemptions that served as an additional deduction

The net effect of this is to raise "zero tax bracket" by 15%

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Individual Tax Rates and Brackets

The new law makes significant changes to the individual tax brackets, along with introducing a new “bubble” tax bracket.

The new rates applicable to ordinary income (other than passthrough business income discussed later) are:

Tax Brackets	Married Filing Joint	Head of Household	Married Filing Separate	Single	Estate/Trust
12%	0	0	0	0	0
25%	90,000	67,500	45,000	45,000	2,550
35%	260,000	200,000	130,000	200,000	9,150
39.6%	1,000,000	500,000	500,000	500,000	12,500

The capital gain brackets are as follows:

Capital Gain Brackets	Married Filing Joint	Head of Household	Married Filing Separate	Single	Estate/Trust
0%	0	0	0	0	0
15%	77,200	51,700	33,600	33,600	2,600
20%	479,000	452,400	239,500	425,800	12,700

The bill would add a new 6% tax that is used to remove the benefit of the 12% bracket from higher income individuals.

An individual's tax is increased by 6% of excess of adjusted gross income over applicable dollar amount (ADA) which is set at:

- \$1,200,000 for married filing joint
- \$1,000,000 all others

This addition is taxed is capped at lesser of 27.6% of

- Taxpayer's taxable income or
- 25% threshold amount.

Kiddie Tax Reform

The "kiddie tax" would no longer be tied to the parents' tax rates, but rather taxed at rates for trusts and estates without the 12% bracket. Only a child's taxable income in excess of net unearned income is taxed at 12% bracket to the extent it is less than that bracket for the child.

Alternative Minimum Tax

The alternative minimum tax would be repealed under the bill. The bill also provides a special recovery rule for any unused minimum tax credit a taxpayer might have coming into 2018.

To the extent the credit cannot be used to reduce a taxpayer's tax to zero, it is used:

- 50% remaining unused in each year from 2019-2021 is refundable for that year (note that it's half of the remainder each year)
- Balance refunded in 2022.

Itemized Deduction and Other Deduction Issues

The Pease limitation on itemized deductions is repealed by the bill.

Mortgage interest will only be allowed on debts up to \$500,000 (reduced from \$1,000,000) and no deduction for home equity indebtedness incurred after 11/2/17. Loans in place on 11/2/17 will be grandfathered under the old rules.

Also, a mortgage interest deduction is only allowed for principal residence (no second residence).

The only state and local taxes that can be deducted as an itemized deduction are real estate taxes (up to \$10,000).

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Generally, the bill repeals deduction for personal casualty losses. But the bill allows such a deduction for hurricane losses from Hurricanes Harvey, Irma, or Maria. Congress would have to act to allow such special relief for any future disasters (or even the California wildfires).

All gambling expenses (not just wagering losses) are limited to gambling income.

A number of changes are proposed for charitable contributions, though they will still be valid itemized deduction. One piece of good news is that the percentage of adjusted gross income limit would be increased from 50% to 60% of AGI. Other changes include:

- Remove 80% deduction for athletic event seating rights
- Index charitable mileage for inflation
- Require contemporaneous acknowledgment for all charitable contributions (no \$250 limit)
- Removed option to have charity report the gift for substantiation

Other changes to itemized and other individual deductions include:

- Repeal deduction for tax preparation expenses
- Repeal deduction for medical expenses
- Repeal deduction for alimony payments and income inclusion for recipients (post 2017 decrees and modifications only)
- Repeal deduction for moving expenses
- Terminate contributions to MSAs (does not affect HSAs)

Employee Business Expenses

The bill would remove the deduction for most employee business expenses:

- Repeal deduction for all “below the line” deductions
- Also repeal all above the line deductions (including for teachers) except deduction for expenses of members of armed forces reserves
- Can still exclude expenses reimbursed under qualified expense reimbursement program

Employer Provided Housing

The bill would limit exclusion for employer provided housing

- \$50,000 maximum (\$25,000 if MFS)
- Phases out beginning at \$120,000

Exclusion for Gains on Sale of a Principal Residence

The law would make a number of “taxpayer unfriendly” changes to the exclusion for the sale of a principal residence:

- Ownership/use goes to five of prior eight years
- Only use once every five years
- The exclusion phases out as a taxpayer’s adjusted gross income exceeds \$500,000 (\$250,000 for MFS) on a dollar for dollar basis.

Municipal Bonds

The following municipal bond interest would now be taxable:

- Private activity bonds
- Bonds issued to build sports stadiums issued after date of introduction of the bill.

Employee Benefits

Certain employee benefits would no longer be excluded from the income of the employee:

- Employee achievement awards
- Qualified moving expense reimbursements
- Adoption assistance programs.

Qualified dependent care assistance benefits would continue to be excludable from income through 2022.

Payroll Tax Reports

Employers must give employees’ name and address on payroll tax returns prepared each quarter (Form 941).

Carried Interest Gain Limits

A three year holding period is imposed for carried interests to get long term capital gain treatment on the sale of the interest.

Stock Options and Restricted Stock Units

The law would greatly change the taxation of stock options, generally requiring income recognition when the options vest rather than when they are exercised. An exception to this

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rule would allow a deferral of up to five years for income from stock options or restricted stock units if corporation's stock is not publicly traded.

No election under IRC §83(b) could be made related to any stock option or restricted stock unit.

Retirement Program Changes

The following changes would be made to retirement programs:

- No option to recategorize Roth IRA contribution as traditional IRA contribution
- In service distributions can begin for all defined benefit plans at age 59 ½
- Allow those taking hardship distributions to continue to contribute to plan
- Plan could allow earnings and employer contributions in hardship distributions
- Rollovers for deemed plan distributions extended to due date of employee's tax return

Child and Dependent Tax Credits

Child tax credit

- Would be increased to \$1,600
- Would eventually be fully refundable
- A valid social security number must be provided to claim the enhanced child credit

Dependent tax credit and family tax credit

- \$300 credit for non-child dependent or other "non-dependent"
- Not refundable
- Effective through 2022

All three would phase out at higher adjusted gross income levels.

Education Tax Provisions

Education credits

- Would consolidate American Opportunity Tax Credit, Hope Credit and Lifetime Learning Credit into revised AOTC
- 100% credit on first \$2,000, 25% credit for next \$2,000
- Adds fifth year available at ½ of rate of first four years with up to \$500 being refundable.

Other Education Savings Rules

- No new Coverdell ESA contributions will be allowed
- Can do tax free rollover from ESA to 529 plan
- Up to \$10,000 of elementary/high school expenses would be qualified 529 expenses
- Funds may be used for certain expenses in registered apprenticeship program
- Could establish 529 plan for unborn child (but not one you expect to eventually have)
- Repeal deduction for student loan interest, tuition and fees deduction, interest on U.S. savings bonds, qualified tuition reductions and employer provided education assistance

ABLE Accounts

A taxpayer would be able to roll over funds from a 529 plan to an ABLE account.

Repeal of Various Individual Tax Credits

The following credits would be repealed:

- Over 65 credit from Schedule R
- Mortgage credit certificate credit
- Qualified electric plug in vehicle.

Residential Energy Efficient Property Credit

The bill would modify and eventually phase out residential energy efficient property credit

- Credit extended to all qualified property placed in service prior to 2022
- Reduced rates
 - 26% for property placed in service during 2020
 - 22% for property placed in service during 2021

Estate and Generation Skipping Transfer Taxes

The estate and GST tax modifications would be phased-in over time.

- Exclusion initially increased to \$10 million, indexed for inflation
- Beginning in 2024, the estate and GST taxes are repealed
- Retain step-up in basis for inherited property.

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Corporate Tax Rates

A principal goal of this reform is to bring U.S. corporate income tax rates down to be competitive with other major industrialized countries. The bill would make the following changes:

- Single flat 20% tax rate (note this is an increase for C corporations with income below \$50,000)
- Personal service corporations would have a rate of 25%

S Corporation Special Election Termination Rule

For entities that are S corporations at enactment, a special six year §481(a) period will be available for any accounting method changes required due to terminating the S election (such as a required conversion to the accrual basis of accounting) rather than the standard four period for recovering such adjustments.

As well, future distributions from the entity would be deemed to come prorate from earnings and profits and the accumulated adjustments account (AAA). This would allow recovery of any amounts remaining in AAA after the expiration of the post-termination transition period (normally one year).

Passthrough Tax Rates

One of the most complex areas of the new law will involve special tax treatment given to pass through business income reported by individual taxpayers.

There would be a maximum passthrough business rate of 25% for individuals

- Would apply to proprietorships, partnerships, and S corporations
- Would only apply to “business income”
 - Passive activity = 100% business income
 - Other activities must determine the business income portion as opposed to the amount representing compensation for services.

To compute the amount that represents business income

- Can use 30% safe harbor or
- Capital rate (5 year election)
 - Rate of return of 7% plus federal short term rate

- Capital invested in business.

For the elective alternative calculation noted above

- (Capital rate X Asset Balance) – interest expense deduction allowed is the business income
- Asset balance = Adjusted basis of property used in the activity at end of taxable year not taking into account basis adjustment for bonus depreciation or Section 179

Other special provisions for the passthrough business income computation:

- Personal service businesses cannot use the 30% option (PSC list plus additional items)
- But can use the invested capital calculation
- Additional “anti-abuse” rules to prevent wages from being classified as 25% income
- 25% rate would also apply to certain dividends of REITs
- Also have carryover of business losses to reduce future 25% eligible business income (not used for any other purpose—so even if loss fully offset by other non-passthrough income in prior year, it would still reduce the 25% income for the following year)

The law would also create a special 9% rate in lieu of 12% rate for passthroughs to give some benefits to taxpayers whose tax bracket would cause them to have no benefit from a 25% maximum passthrough rates. This special rate would be phased in over a number of years and initially would be set at 11% and phased in over 5 years at which time it would be at 9%.

The rate would be available to taxpayer filing married filing joint for the first \$75,000 for active owner or shareholder with less than \$150,000 in taxable income in a passthrough business (totally phased out at \$225,000). For a single taxpayer the benefit is phased out between \$37,500 to \$75,000 while for heads of household the phase out runs from \$56,250 to \$112,500.

Bonus Depreciation

The bill would increase and expand bonus depreciation as follows:

- 100% bonus depreciation for qualified property placed in service
 - After September 27, 2017 and before
 - January 1, 2023
- No longer have original use requirement for this bonus

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- Rather must be taxpayer's first use of the property
- Additional first year auto bonus raised from \$8,000 to \$16,000
- Would not include property
 - Used in a regulated utility or
 - Used in a real property trade or business
 - Used in a business that pays interest on a flooring account if the business elects this provision (will allow a full deduction for interest expense)

Section 179 Expense

The bill would make the following changes to Section 179 expensing:

- Increased to \$5 million annually
- Phase out rises to \$20 million
- Would include qualified energy efficient heating and cooling equipment, effective 11/2/17
- However, in 2023 would revert to older, lower limits
- Not really a big deal given most items would qualify for the 100% write off and it ends when that ends.

Amortization of Research Expenditures

The bill imposes a requirement to capitalize research and development which will be amortized over 5 years (15 years for foreign R&D).

Attorney's Expenses in Contingent Fee Arrangements

The bill would delay deduction for advanced litigations expenses paid by an attorney in a contingent fee case until the contingency is resolved.

Small Business Accounting Issue Relief

The bill would provide the following liberalized accounting issue relief to small businesses:

- \$25 million threshold (rather than \$5 million) for accrual basis
- Also such businesses could be cash basis even with inventories
- Cash basis can be used by all such businesses except tax shelters
- Business with gross receipts of <\$25 million exempt from UNICAP
- \$10 million long term contract limit would be raised to \$25 million
- Gross receipts < \$25 million exempt from interest limitations provided for in this bill

Net Interest Expense Deduction Limitation

The bill would also reduce interest deductions for most businesses. The net interest deduction rules are as follows:

- Net interest in excess of 30% of businesses' adjusted taxable income is disallowed
- At filer level (so at partnership/S corporation level)
- Disallowed interest carried forward for up to five years
- Exemptions
 - Small businesses
 - Regulated utilities
 - Real property trade or businesses
 - Businesses with flooring interest that elected to give up 100% expensing

Net Operating Loss Revisions

The bill would make taxpayer unfriendly changes to net operating losses. The changes are as follows:

- Can only offset 90% of taxable income (adopting AMT rule)
- Generally will repeal all carrybacks except for one year carryback for certain casualty and disaster losses of
 - Small businesses (\$5,000,000 3 year average annual gross receipts)
 - Farms
- To compensate for inability to use the losses in a carryback, carried forward NOLs increased by an interest factor each year

Like Kind Exchanges for Real Estate Only

Like kind exchange rules will be changed as follows:

- Could only be used for real property
- However special rule for exchanges in process at end of 2017 for personal property to allow them to be completed

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Other Miscellaneous Business Changes

The following additional changes are made to business taxes:

- Repeal exclusion for capital contributions in excess of FMV of stock issued
- No deduction for local lobbying expenses
- Repeal Section 199 deduction

Disallowance of Business Related Entertainment Expenses

The following changes would be made to entertainment deductions:

- No deduction for entertainment, amusement or recreational activities
- No deduction for
 - Transportation fringe benefits
 - On premises gym and athletic facilities
 - Amenities provided to employee that are personal in nature
- 50% continues to apply to
 - Food and beverages
 - Qualifying meals
- Disallowed amounts would be added to UBIT for tax exempt entity

Patents, Copyrights, Etc.

The law would make the following changes related to the dispositions of patents and copyrights:

- Self-created patents, invention, model or design are no longer eligible to be treated as a capital asset
- Repeals Section 1235 so sale of patent rights now tested under standard tests to see if it is a capital asset

No More Technical Terminations for Partnerships

The bill makes the following changes to partnership terminations:

- Repeal of technical terminations for partnerships
- No longer issue if have change of 50% interests
- Note that the Joint Committee on Taxation scores this as raising revenue

Business Credits Repealed

The following business credits are repealed:

- Credit for clinical testing expenses for certain drugs for rare diseases or conditions
- Credit for employer-provided child care
- Rehabilitation credit
- Work opportunity tax credit
- Deduction for certain unused business credits
- New markets tax credits
- Credits to provide access to disabled individuals

Modification to Tip Credit

The following modifications would be made to the tip credit:

- Amount above which credit allowed moved to current minimum wage instead of that in place on 1/1/07
- All employers (not just those with more than 10 employees) claiming this credit would have to report allocations to employees to the IRS

Worldwide Taxation System

The following international tax changes (along with a number of others) would be made:

- Replace current system with dividend exemption system – 100% exemption for dividends if own at least 10%
- No foreign tax credit on any exempt dividend
- No tax on foreign earnings reinvested in U.S. property
- Basis reduced in shares for loss (but not for gain) by exempt dividends
- In transition, would tax earnings and profits of foreign entity in which taxpayer owns more than 10% interest
 - Cash and equivalents taxed at 14%
 - Remainder taxed at 7%
 - Payable over up to 8 years

Senate Bill

The U.S. Senate began working on its version of the *Tax Cuts and Jobs Act* while the Ways and Means Committee was conducting its hearings on the bill. The Senate bill, while

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working from the same framework document, has a number of significant differences from the House bill. Specifically, it has a very different set of tax brackets, and uses a deduction rather than a special tax rate for passthrough income.

Below we discuss some of the Senate provisions that are significantly different from those in the House bill. Note that, unlike the House bill, this bill had not been passed by the Senate at the time this manual was written and very likely will be further amended prior to passage by the Senate (assuming the bill does eventually pass the Senate).

Tax Brackets

The Senate bill has seven tax brackets rather than the four that are in the House bill. The Senate retains the 10% bracket, lowers the top bracket and does not contain the special 6% additional tax to phase out the 12% bracket found in the House bill.

The tax rate schedules are as follows:

If taxable income is:	Then income tax equals:
<i>Single Individuals</i>	
Not over \$9,525	10% of the taxable income
Over \$9,525 but not over \$38,700	\$952.50 plus 12% of the excess over \$9,525
Over \$38,700 but not over \$70,000	\$4,453.50 plus 22% of the excess over \$38,700
Over \$70,000 but not over \$160,000	\$11,339.50 plus 24% of the excess over \$70,000
Over \$160,000 but not over \$200,000	\$32,929.50 plus 32% of the excess over \$160,000
Over \$200,000 but not over \$500,000	\$45,739.50 plus 35% of the excess over \$200,000
Over \$500,000	\$150,739.50 plus 38.5% of the excess over \$500,000

If taxable income is:	Then income tax equals:
<i>Heads of Households</i>	
Not over \$13,600	10% of the taxable income
Over \$13,600 but not over \$51,800	\$1,360 plus 12% of the excess over \$13,600
Over \$51,800 but not over \$70,000	\$5,944 plus 22% of the excess over \$51,800
Over \$70,000 but not over \$160,000	\$9,948 plus 24% of the excess over \$70,000
Over \$160,000 but not over \$200,000	\$31,548 plus 32% of the excess over \$160,000
Over \$200,000 but not over \$500,000	\$44,348 plus 35% of the excess over \$200,000
Over \$500,000	\$149,348 plus 38.5% of the excess over \$500,000

If taxable income is:	Then income tax equals:
<i>Married Individuals Filing Joint Returns and Surviving Spouses</i>	
Not over \$19,050	10% of the taxable income
Over \$19,050 but not over \$77,400	\$1,905 plus 12% of the excess over \$19,050
Over \$77,400 but not over \$140,000	\$8,907 plus 22% of the excess over \$77,400
Over \$140,000 but not over \$320,000	\$22,679 plus 24% of the excess over \$140,000
Over \$320,000 but not over \$400,000	\$65,879 plus 32% of the excess over \$320,000
Over \$400,000 but not over \$1,000,000	\$91,479 plus 35% of the excess over \$400,000
Over \$1,000,000	\$301,479 plus 38.5% of the excess over \$1,000,000

If taxable income is:	Then income tax equals:
<i>Married Individuals Filing Separate Returns</i>	
Not over \$9,525	10% of the taxable income
Over \$9,525 but not over \$38,700	\$952.50 plus 12% of the excess over \$9,525
Over \$38,700 but not over \$70,000	\$4,453.50 plus 22% of the excess over \$38,700
Over \$70,000 but not over \$160,000	\$9,246 plus 24% of the excess over \$70,000
Over \$160,000 but not over \$200,000	\$30,496 plus 32% of the excess over \$160,000
Over \$200,000 but not over \$500,000	\$46,746 plus 35% of the excess over \$200,000
Over \$500,000	\$153,496 plus 38.5% of the excess over \$500,000

If taxable income is:	Then income tax equals:
<i>Estates and Trusts</i>	
Not over \$2,550	10% of the taxable income
Over \$2,550 but not over \$9,150	\$255 plus 24% of the excess over \$2,550
Over \$9,150 but not over \$12,500	\$1,839 plus 35% of the excess over \$9,150
Over \$12,500	\$3,011.50 plus 38.5% of the excess over \$12,500

Child Tax Credit

The Senate bill expands the child tax credit to \$2,000.

Preparer Due Diligence

The Senate bill adds a new preparer due diligence requirement, along with a penalty for failing to comply, for the preparation of any tax return on which the taxpayer claims head of household filing status.

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Estate Taxes

The Senate bill would double the estate tax exemption, but would not repeal the estate tax.

Home Mortgage Interest

The total dollar amount of acquisition debt on which an itemized deduction can be claimed would remain at \$1,000,000 on a principal residence in the Senate. Like the House bill, no deduction would be allowed for home equity debt or debt on a second residence.

Standard Deduction

The Senate bill would provide for slightly lower standard deduction amounts.

Casualty Losses

While repealing most personal casualty loss deductions, the bill would allow future casualty loss deductions for losses incurred due to Presidentially declared natural disasters.

Education Tax Benefits

The Senate bill retains the student loan interest deduction and does not contain the other education related changes in the House bill.

ABLE Plans

The Senate bill would allow a beneficiary to make additional contributions to ABLE accounts annually up to the lesser of the federal poverty level for that year or the beneficiary's earned income for the year.

ABLE contributions would qualify for the Saver's credit.

The Senate bill allows, like the House bill, for rollovers between 529 plans and ABLE accounts.

Miscellaneous Itemized Deductions

The bill would not allow a deduction for any miscellaneous itemized deductions currently subject to the 2% of adjusted gross income limitation.

Individual Shared Responsibility Payment

The Senate bill sets the individual shared responsibility payment amount to \$0 beginning in 2019. Thus, while not repealing the individual mandate, the bill provides there will be no penalty for failing to maintain insurance.

Section 179

The Senate bill is less generous in the amount of additional Section 179 deductions allowed. The maximum deduction is raised to \$1,000,000 and the phase-out would begin at \$2,500,000. However, Section 179 expensing is made available for various items that are part of real estate, including roofs.

Election for Bonus Depreciation/Interest

The Senate bill imposes a longer period for depreciation for farms electing to forego the 100% expensing to obtain a full deduction for interest expense.

Qualified film, television and live theatrical production property will qualify for 100% bonus depreciation.

Small Business Accounting Relief

While containing all of the small business accounting method relief items in the House bill, the Senate bill restricts their use to businesses with gross receipts below \$15 million rather than the \$25 million in the House bill.

Net Operating Loss Deductions

The Senate bill initially begins with the House limits on net operating losses. But in 2023 the percentage of income that can be offset by a net operating loss drops to 80% from the House's 90%.

Educator's Expenses

The Senate bill, rather than eliminating the deduction like the House bill, will increase the above the line deduction for educator's expenses to \$500.

Medical Expenses

The Senate bill retains medical expenses as an allowed itemized deduction for individuals.

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State and Local Tax Deductions

The Senate bill does not allow any itemized deduction for state and local taxes. That is, there is no \$10,000 deduction for real estate taxes as there is in the House bill.

Corporate Tax Rates

Like the House bill, the Senate bill lowers the corporate tax rate to a flat 20% rate but the new rate does not take effect until 2019. Unlike the House bill, the Senate bill allows personal service corporations to take advantage of the 20% rate.

Passthrough Income

The Senate bill gives a 17.4% deduction for qualified business income from a passthrough income rather than a special tax rate found in the House bill.

The deduction is available for service businesses in full only if taxable income for the taxpayer does not exceed \$500,000 for a married couple filing joint, or \$250,000 for those filing single or head of household.

The passthrough deduction is limited to ½ of the taxpayer's share of W-2 wages of the business. This limit only applies to taxpayers with taxable income of over \$500,000 for those married filing joint returns, and \$250,000 for others.

If a taxpayer has a net passthrough loss in one year, that loss is used in the following year to reduce the amount available in calculating the 17.4% deduction.

Qualified business income does not include reasonable compensation for S corporation shareholder or guaranteed payments for services to a partner.

Excess Loss

The Senate bill imposes a limit on "excess losses" for an individual. The limit kicks in for losses in excess of \$500,000 for a married couple filing a joint return or \$250,000 for other taxpayers.

Meals for the Convenience of the Employer

The Senate bill would not allow an employer to deduction amounts paid for employee meals provided for the convenience of the employer.

Real Property Recovery Period

The recovery period for real property is set to 25 years. As well, the ADS period for residential rental property will be decreased to 30 years.

Improvement Property

The special categories of improvement property (qualified leasehold, restaurant and retail improvement property) are combined and all made subject to a 10 year recovery period, as well as being eligible for Section 179 treatment.

Citrus Crop Replacement Expenses

The Senate bill has special rules for a current deduction for replanting of citrus crops following casualty loss.

Amortization of Research Expenditures

Research expenditures would be amortized over five years beginning in 2025.

FMLA Wage Tax Credit

A business credit equal to 12.5% of wages paid for employees on FMLA leave would be available to employers if the pay is at least 50% of the employee's regular pay rate – and increased if greater (up to 25%). The credit only applies for 2018 and 2019.

Electing Small Business Trust (ESBT) Changes

ESBT beneficiaries would be expanded to include nonresident aliens.

ESBTs would be subject to individual (not trust) rules for charitable contributions.

Legal Dispute Related Deductions

The Senate bill would allow some fines to be deducted if it could be shown the fine was in the nature of restitution.

Conversely, no deduction would be allowed for settlements related to sexual harassment or abuse that are subject to a nondisclosure agreement.

24 Current Federal Tax Developments

Simplified Form for Senior Citizens

The IRS would be directed to create a simplified Form 1040SR that could be used by seniors. The form would be a Form 1040EZ modified to include income that would be seen on the return of a senior citizen (such as social security).

IRS Levy

The Senate bill would increase the time to challenge an IRS levy from nine months to two years.

Under the Senate bill, if the IRS improperly levies funds from a taxpayer's retirement account and later returns the funds (with earnings), the taxpayer would be allowed to roll those funds back into the retirement plan even if beyond the 60-day normal rollover period.

User Fees for Installment Agreements

The Senate bill would prohibit the IRS from increasing the amount of any user fee for an installment agreement.

Sunset of Individual Tax Provisions

The individual tax rate cuts, increased child tax credit and the passthrough deduction all sunset at the end of 2025.

Revenue Dependent Removal of Certain Provisions

Some changes will disappear in 2026 if a specified 10 year revenue target met. These changes include:

- Net operating loss deduction 80% rule
- Denial of deduction for meals provided for convenience of employer
- Amortization of research expenditures