

Tax Cuts and Jobs Act: How Congress got to ‘yes’

The tables that follow compare the provisions in the conference agreement to the Tax Cut and Jobs Act with those in the House version of the bill (approved on November 16) and the Senate version (approved on December 2), and with current law.

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Business provisions in general				
Provision	Current law	House bill	Senate bill	Final agreement
Corporate income	35% top rate; Personal service corporations taxed at 35%	<ul style="list-style-type: none"> 20% flat rate; 25% for personal services corporations; effective for tax years beginning after Dec. 31, 2017 Section 15 specifically applies to fiscal year ends to obtain benefit of the reduced rate starting Jan. 1, 2018. Personal service corporations at 25% 	<ul style="list-style-type: none"> 20% flat rate; effective tax years beginning after Dec. 31, 2018 Section 15 not explicitly mentioned; appears to apply to corporate rate reduction No special rate for personal service corporations 	<ul style="list-style-type: none"> 21% flat rate; effective tax years beginning after Dec. 31, 2017 Section 15 treatment appears same as Senate bill No special rate for personal service corporations
Passthrough income	Taxed at owner's individual rate	<p>25% rate on qualified business profits, generally consisting of 100 percent of any net business income derived from any passive business activity and a portion (based on a "capital percentage") of any net business income derived from any active business activity</p> <ul style="list-style-type: none"> Capital percentage generally equals 30%, but a taxpayer may elect to establish a higher percentage based on its facts and circumstances 0% capital percentage assumed for specified service businesses Activity by activity determination REIT dividends eligible for 25% rate 	<p>23% deduction for domestic business profits, limited to 50% of W-2 wages after wage limitation phase-in</p> <ul style="list-style-type: none"> Specified service businesses generally not eligible, except for taxpayers with taxable income < \$250k/\$500k (deduction phased out over the next \$50k/\$100k) W-2 wage limitation phased in for taxpayers with taxable income > \$250k/500k (over the next \$50k/\$100k) Special rules apply to certain income from PTPs and dividends from REITs Trusts and estates not eligible for the deduction Sunsets Dec. 31, 2025 	<p>20% deduction for domestic business profits, limited to greater of (1) 50% of W-2 wages or (2) 25% of W-2 wages plus 2.5% of the unadjusted basis of qualified property after wage limitation phase-in</p> <ul style="list-style-type: none"> Specified service businesses generally not eligible, except for taxpayers with taxable income < \$157.5k/\$315k (deduction phased out over the next \$50k/\$100k) W-2 wage limitation phased in for taxpayers with taxable income > \$157.5k/315k (over the next \$50k/\$100k) Special rules apply to certain income from PTPs and dividends from REITs Trusts and estates are eligible for the deduction

Business provisions in general				
Provision	Current law	House bill	Senate bill	Final agreement
				<ul style="list-style-type: none"> Sunsets December 31, 2025
Corporate dividends received deduction	70% deduction; 80% if received from a 20%-owned corporation	Reduced to 50% deduction and 65% deduction, effective for tax years beginning after Dec. 31, 2017	Reduced to 50% deduction and 65% deduction, effective for tax years beginning after Dec. 31, 2018	Reduced to 50% deduction and 65% deduction, effective for tax years beginning after Dec. 31, 2017
Corporate AMT	20% on alternative minimum taxable income	<p>AMT repealed, effective taxable years beginning after Dec. 31, 2017</p> <p>For tax years 2019 to 2021, AMT credit utilization limitation is increased by 50%, and AMT credit carryforward becomes a refundable credit</p> <p>For tax years beginning in 2022, AMT credit utilization limitation is increased to 100%</p>	Retains current law	<p>AMT repealed, effective tax years beginning after Dec. 31, 2017</p> <p>For tax years beginning in 2018 to 2020, AMT credit utilization limitation is increased by 50%, and AMT credit carryforward becomes a refundable credit</p> <p>For tax years beginning in 2021, AMT credit utilization limitation is increased to 100%</p>
Business interest payments	<p>Generally deductible</p> <p>Section 163(j) limits the deduction for interest paid or accrued by certain corporations (where no US federal income tax is imposed on the interest income) whose debt-to-equity ratio exceeds 1.5 to 1.0, and where net interest expense exceeds 50 percent of its adjusted taxable income.</p>	<p>Limited to business interest income + 30% of adjusted taxable income (ATI)</p> <p>ATI is computed without regard to any (1) item of income, gain, deduction, or loss, which is not allocable to the trade or business; (2) business interest income or expense; (3) net operating losses; and (4) depreciation, amortization, and depletion</p> <p>5-year carryforward for disallowed amounts, treating business interest allowed as a deduction on a first-in, first-out basis</p> <p>Exemptions for real estate, farming businesses and certain public utilities, retail floor planning indebtedness, small business, and for interest allocable to performing services as an employee</p> <p>Carryforward would be treated as a section 381(c) attribute and a pre-change loss for purposes of section 382(d)</p>	<p>Limited to business interest income + 30% of ATI</p> <p>ATI is computed similar to the House but takes into account depreciation, amortization, and depletion, and backs out any deductions taken under section 199 or 199A</p> <p>Indefinite carryforward for disallowed amounts</p> <p>Exemptions, at the taxpayer's election, for real estate and farming businesses and automatic exemptions for certain public utilities, retail floor planning indebtedness, small business, and for interest allocable to performing services as an employee</p> <p>Carryforward would be treated as a section 381(c) attribute and a pre-change loss for purposes of section 382(d)</p>	<p>Limited to business interest income + 30% of ATI</p> <p>ATI is similar to Senate but without regard to depreciation, amortization, or depletion only for taxable years beginning after Dec. 31, 2017 and before Jan. 1, 2022, and for tax years on or after Jan. 1, 2022, ATI is computed with depreciation, amortization, or depletion</p> <p>Indefinite carryforward for disallowed amounts</p> <p>Exemptions the same as the Senate bill, but with House definition of small businesses and a modified definition for floor plan financing Carryforward would be treated as a section 381(c) attribute and a pre-change loss for purposes of section 382(d)</p>

Business provisions in general				
Provision	Current law	House bill	Senate bill	Final agreement
Net operating loss deduction	2-year carryback and 20-year carryforward allowed to offset taxable income	<p>NOL carryback period is eliminated and carryforward period is indefinite for NOLs arising in tax years beginning after Dec. 31, 2017</p> <p>NOLs arising in tax years beginning after Dec. 31, 2017 receive annual escalator equal to 4% plus AFR</p> <p>NOL utilization is limited to 90% of taxable income for tax years beginning after Dec. 31, 2017,</p> <p><i>Transition Rule.</i> For tax years which include 9/28/2017 to Dec. 31, 2017, NOLs attributable to increased expensing as amended under section 168(k)(1)(A) are not eligible for carryback</p>	<p>NOL carryback period is eliminated and NOL carryforward period is indefinite for NOLs arising in tax years ending after Dec. 31, 2017</p> <p>NOL utilization is limited to 90% of taxable income for NOLs arising in tax years beginning after Dec. 31, 2017 to Dec. 31, 2022,</p> <p>Limitation becomes 80% for NOLs arising in tax years beginning after Dec. 31, 2022</p>	Same as Senate bill but with 80% utilization in place for losses arising in tax years beginning after Dec. 31, 2017
Capital contributions	Not included in gross income in transferee corporation	<p>Gross income includes capital contributions, to the extent stock is not issued in exchange for contribution</p> <p>Similar rules applied to non-corporate entities</p> <p>Section 108(e)(6) also repealed</p> <p>Effective after the date of enactment.</p>	Not included	<p>Preserves tax-free treatment for capital contributions but provides that such term does not include (i) contributions in aid of construction or any other contribution as a customer or potential customer, and (ii) any non-shareholder contribution by any governmental entity or civic group.</p> <p>Generally effective for contributions made after the date of enactment. However, the provision shall not apply to any contribution made after the date of enactment by a governmental entity pursuant to a master development plan that has been approved prior to such date by a governmental entity.</p>
FIFO method for stock dispositions	Taxpayers may specifically identify shares of stock disposed of to determine cost basis (with FIFO method generally applicable)	No provision	<p>Eliminates specific identification and generally adopts FIFO method to determining cost basis of specified securities on disposition</p> <p>Effective for dispositions after Jan. 1, 2018</p>	No provision

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Capital expensing	MACRS/ADS with bonus depreciation; or accelerated use of AMT credits; additional first-year depreciation deduction is allowed equal to 50% of the adjusted basis of qualified property acquired and placed in service before Jan. 1, 2020, with a phased down for most property placed in service beginning after Dec. 31, 2017	100% immediate expensing for qualified property through 2022 Qualified property includes used property acquired by the taxpayer, provided property not used by taxpayer before it was acquired Qualified property excludes certain regulated utility property, property used in a real property trade or business, and property with floor plan financing indebtedness	100% immediate expensing for qualified property through 2022, then phased down annually through 2026 (80% in 2023, 60% in 2024, 40% in 2025, 20% in 2026); phase out for property with longer production periods begins a year later Qualified production property excludes certain public utility property and certain property with floor plan indebtedness, but expanded to include qualified film, TV, and live theatrical productions	100% immediate expensing for qualified property placed in service from Sep. 27, 2017 through 2022, then phased down annually through 2026 (80% in 2023, 60% in 2024, 40% in 2025, 20% in 2026); phase out for property with longer production periods begins instead in 2024 Qualified property includes used property acquired by the taxpayer, provided property not used by taxpayer before it was acquired
Manufacturing deduction (sec. 199)	Up to a 9% deduction on qualified production activity income; deduction to incentivize domestic production activities	Repealed for tax years after Dec. 31, 2017	Repealed for non-C corporation taxpayers for tax years after Dec. 31, 2017; C corporations repealed for tax years after Dec. 31, 2018	Repealed for tax years after Dec. 31, 2017
Like-kind exchanges	No gain or loss recognized for wide range of property held for productive use or investment Different classes of property include (1) depreciable tangible personal property; (2) intangible or nondepreciable personal property; and (3) real property	No gain or loss recognition allowed only for real property	No gain or loss recognition allowed only for real property not held primarily for sale	No gain or loss recognition allowed only for real property not held primarily for sale; transactions begun before Dec. 31, 2017 can be completed
Research and experimentation (R&E) expenditures	Section 174 provides an option to immediately deduct or amortize R&E related expenses over 5 years	Existing rules would continue to apply; however, section 174 expenditures paid or incurred in taxable years beginning after Dec. 31, 2022, are subject to capitalization and amortization over 5 years for research conducted within US and 15 years for research conducted outside US Modified cut-off 481(a) adjustment	Existing rules would continue to apply; same provisions as the House bill with regard to capitalization and 5-year or 15-year amortization of section 174 expenditures except applicable to amounts paid or incurred in taxable years beginning after Dec. 31, 2025	Existing rules would continue to apply; however, section 174 expenditures paid or incurred in taxable years beginning after Dec. 31, 2021, are subject to capitalization and amortization over 5 years for research conducted within US and 15 years for research conducted outside US Change applied on a cut-off basis

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Small business election to expense depreciable business assets	Section 179 allows a current deduction for eligible property; \$500k limit in a given year, phased out when the cost of qualifying property exceeds \$2M	For the 2018-2022 tax years, business expense limitation increased to \$5M, phased out when the cost of qualifying property exceeds \$20M; also adds energy efficient heating and air-conditioning property as a qualified property	Increases maximum current expense threshold to \$1M, phased out when the cost of qualifying property exceeds \$2.5M; expands definition of qualified property to include all qualified improvement property and improvements to roofs, heating, ventilation, air-conditioning property, fire protection and alarm systems, and security systems made to nonresidential real property	Increases maximum current expense threshold to \$1M, phased out when the cost of qualifying property exceeds \$2.5M; expands definition of qualified property to include all qualified improvement property and improvements to roofs, heating, ventilation, air-conditioning property, fire protection and alarm systems, and security systems made to nonresidential real property
Use of the cash method of accounting	Farming businesses, qualified personal service corporations and C corporations with annual gross receipts that do not exceed \$5M can generally use the cash method of accounting	Increase average gross receipt threshold to \$25M, and extends cash method availability to certain farming entities; repeals requirement that the gross receipts threshold must be satisfied for all prior years	Increases annual gross receipts test to \$15M, and extends to farming C corporations	Increase average gross receipt threshold to \$25M, and extends cash method availability to certain farming entities; repeals requirement that the gross receipts threshold must be satisfied for all prior years
Accounting for inventories on accrual method	Generally, taxpayers with inventories must use accrual method of accounting; exception applies for taxpayers with average annual gross receipts under \$1M and for taxpayers in certain industries with gross receipts less than \$10M that are not otherwise prohibited in using the cash method	Increase average gross receipt threshold to \$25M, and allow such taxpayers to treat inventories as nonincidental materials and supplies or follow their book method	Increase average gross receipt threshold to \$15M; qualifying taxpayers may either use their book method or treat the inventories as nonincidental materials and supplies	Increase average gross receipt threshold to \$25M, and allow such taxpayers to treat inventories as nonincidental materials and supplies or follow their book method
Accounting for UNICAP	Taxpayers who acquire property for resale and have \$10M or less of annual gross receipts are not required to include additional section 263A costs in inventory (small taxpayers)	Expands exception for small taxpayers from UNICAP for gross receipts not exceeding \$25M	Expands exception for small taxpayers from UNICAP for gross receipts not exceeding \$15M	Expands exception for small taxpayers from UNICAP for gross receipts not exceeding \$25M
Percentage-of-completion (PCM) method	Small construction contracts exempt from PCM; these include contracts for construction of real property expected to be completed within two years and the taxpayer's average gross receipts for the prior three years does not exceed \$10M	Expands scope of small construction contracts to taxpayers with average gross receipts not exceeding \$25M	Expands scope of small construction contracts to taxpayers with average gross receipts not exceeding \$15M	Expands scope of small construction contracts to taxpayers with average gross receipts not exceeding \$25M

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Recovery periods for real property	Section 168(c) provides a recovery period of 27.5 and 39 years for residential rental property and nonresidential real property, respectively; separate definitions provided for qualified leasehold improvements, qualified restaurants, and qualified retail improvement property, which generally provide for a 15-year recovery period	No provision	Shortens recovery period for nonresidential real and residential rental property to 25 years; provides a general 10 year recovery period for qualified improvement property, and a 20-year ADS recovery period for such property; lowers the ADS recovery period to 30 years for residential rental property	Maintains the current MACRS recovery period of 39 and 27.5 years for nonresidential real and residential rental property; provides a general 15 year recovery period for qualified improvement property, and a 20-year ADS recovery period for such property; lowers the ADS recovery period to 30 years for residential rental property
Deferral of income	For accrual basis taxpayers, income is included in gross income when all events have occurred that fixes the right to receive such income and the amount can be determined with reasonable accuracy; Rev. Proc. 2004-34 provides a one-year deferral of certain advanced payments	No provision	All-events not met later than the tax year in which the item is taken into account as revenue in an applicable financial statement (exceptions for special methods of accounting); codifies the deferral method under Rev. Proc. 2004-34	All-events not met later than the tax year in which the item is taken into account as revenue in an applicable financial statement (exceptions for special methods of accounting); codifies the deferral method under Rev. Proc. 2004-34
Denial of certain deductions	Current code does not include a denial of a deduction for sexual harassment and abuse payments; generally considered ordinary business expenditures	No provision	No deduction for payments related to sexual harassment and sexual abuse and attorney's fees related to a settlement or payment subject to a nondisclosure agreement	No deduction for payments related to sexual harassment and sexual abuse and attorney's fees related to a settlement or payment subject to a nondisclosure agreement
Deductibility and reporting of fines and penalties	No deductions for bribe payments, health care fraud, lobbying payments, and any fines paid to the government for breaking the law	No provision	Fines or penalties paid or incurred to a government or governmental entity in relation to a violation of (or possible violation of) a law where the government is a complainant or investigator are not deductible; restitution exempted from nondeductibility; added reporting requirement detailing the fine or penalty to which section 162(f) applies	Fines or penalties paid or incurred to a government or governmental entity in relation to a violation of (or possible violation of) a law where the government is a complainant or investigator are not deductible; restitution exempted from nondeductibility; added reporting requirement detailing the fine or penalty to which section 162(f) applies
Self-created capital asset	Section 1221(a)(3) provides that capital assets include certain copyright, literary, musical, artistic composition, or similar property that was self-created	Excludes self-created patents, inventions, models or designs, or secret formulas or processes as qualifying as a capital asset under section 1221	No provision	Excludes self-created patents, inventions, models or designs, or secret formulas or processes as qualifying as a capital asset under section 1221

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Sale or exchange of patents	Transfer of a substantial patent right shall be considered the sale or exchange of a capital asset held for more than one year	Repeals rule treating the sale or exchange of a patent as automatically resulting in a capital gain	No provision	No change in current law
Expensing costs of replanting citrus plants	No current provision	No provision	Allows certain minority co-owners of citrus plants that were lost or damaged due to a casualty event a current deduction for replanting costs; provision terminates 10 years after date of enactment	Allows certain minority co-owners of citrus plants that were lost or damaged due to a casualty event a current deduction for replanting costs; provision terminates 10 years after date of enactment
Interest capitalization	In general, interest capitalization applies to taxpayers who construct or produce tangible personal property that has a class life of 20 years or more, takes more than two years to complete, or takes more than one year to complete and production costs exceed \$1M; production period includes aging period of goods	No provision	Excludes aging period of beer, wine, and distilled spirits from calculation of production period under UNICAP interest capitalization rules; provision does not apply to interest costs paid or accrued after Dec. 31, 2019	Excludes aging period of beer, wine, and distilled spirits from calculation of production period under UNICAP interest capitalization rules; provision does not apply to interest costs paid or accrued after Dec. 31, 2019
Local lobbying expenses	Section 162(e) allows a deduction for lobbying and political expenditures in the case of any legislation of any local counsel, which includes Indian tribal governments	Eliminate the deduction for local lobbying expenses	Eliminate the deduction for local lobbying expenses	Eliminate the deduction for local lobbying expenses for amounts paid or incurred after the date of enactment
Recovery period for farming property	Section 168(b)(2)(B) provides that property used in a farming business must use the 150% declining balance method	No provision	Repeals the requirement that property used in the farming business use the 150% declining balance method	Repeals the requirement that property used in the farming business use the 150% declining balance method
Tax gain on the sale of a partnership interest on lookthrough basis	Rev. Rul. 91-32 provides that in determining the source of gain or loss from the sale or exchange of an interest in a foreign partnership, if there is unrealized gain or loss in partnership assets that would be treated as effectively connected with the conduct of a U.S. trade or business if those assets were sold by the partnership, then some or all of a foreign person's gain or loss from the sale or exchange of a partnership interest may	No provision	Codifies IRS position in Rev. Rul. 91-32 by treating foreign person's gain from the sale or exchange of partnership interest as effectively connected income (ECI) to the extent the foreign person would have recognized ECI had the partnership sold all of its assets for their fair market value as of the date of the foreign person's sale or exchange Also requires the transferee of a partnership interest to	Codifies the IRS's position in Rev. Rul. 91-32 by treating a foreign person's gain from the sale or exchange of a partnership interest as effectively connected income ("ECI") to the extent the foreign person would have recognized ECI had the partnership sold all of its assets for their fair market value as of the date of the foreign person's sale or exchange The provision also requires the transferee

Business provisions in general

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	<p>be treated as effectively connected with the conduct of a U.S. trade or business</p> <p>The Tax Court recently declined to follow Rev. Rul. 91-32 in <i>Grecian Magnesite Mining, Indus. & Shipping Co. v. Commissioner</i>, 149 T.C. No. 3 (July 13, 2017)</p>		<p>withhold 10 percent of the amount realized on the sale or exchange of a partnership interest unless the transferor certifies that the transferor is not a nonresident alien individual or foreign corporation</p> <p>The provision (including withholding requirement) applies to sales, exchanges, and dispositions on or after Nov. 27, 2017</p>	<p>of a partnership interest to withhold 10 percent of the amount realized on the sale or exchange of a partnership interest unless the transferor certifies that the transferor is not a nonresident alien individual or foreign corporation</p> <p>The portion of the provision treating gain or loss on sale of a partnership interest as ECI is effective for sales, exchanges, and dispositions on or after November 27, 2017, and the portion of the provision requiring withholding on sales or exchanges of partnership interests is effective for sales, exchanges, and dispositions after Dec. 31, 2017</p>
Technical terminations of partnerships	Section 708(b)(1)(B) provides that a partnership terminates if within a 12-month period there is a sale or exchange of 50 percent or more of the total interests in partnership capital and profits	Repeals the technical termination rule for partnerships. Thus, a partnership would be treated as continuing even if 50 percent or more of the total capital and profits interests of the partnership are sold or exchanged, and new elections would not be required or permitted	No provision	Repeals the technical termination rule for partnerships. Thus, a partnership would be treated as continuing even if 50 percent or more of the total capital and profits interests of the partnership are sold or exchanged, and new elections would not be required or permitted

Business credit provisions

Provision	Current law	House bill	Senate bill	Final agreement
Production tax credit	<p>Income tax credit is allowed under section 45 for production of electricity from qualified energy resources at qualified facilities</p> <p>Credit rate, initially set at 1.5 cents per kilowatt-hour (reduced by one-half for certain renewable resources) is adjusted annually for inflation</p> <p>To qualify for the credit, a wind facility must begin construction before Jan. 1, 2020</p> <p>Credit amount phases down 20% each year beginning in 2017</p> <p>To qualify, facilities that produce electricity from other resources (e.g., biomass, trash, geothermal, hydropower) must have begun construction before Jan. 1, 2017</p>	<p>Reduce value of production tax credit (PTC) to original 1992 rate of 1.5 cents per kilowatt-hour by eliminating inflation index (current PTC rate is 2.4 cents per kilowatt-hour)</p> <p>Reduction in value applicable only to electricity produced from projects that begin construction after date of enactment and would be in addition to PTC phase-out implemented in 2015; would not impact refined coal projects</p> <p>No change to current-law schedule for sunseting PTC for electricity produced from wind projects constructed after 2019</p> <p>Introduces potentially significant "continuous program of construction" condition that must be satisfied to preserve benefits of begun-construction status (safe harbors in current IRS guidance protect taxpayers from having to continuous construction) This condition applies retroactively, could disrupt projects already underway, and make it more difficult for projects to qualify for marginally greater PTC benefits; Ways & Means explanation clarifies that provision was intended to codify current IRS begun construction rules</p>	<p>No proposed change in law. Phase-out of the PTC continues as originally enacted in 2015</p>	<p>No proposed change in law; phase-out of the PTC continues as originally enacted in 2015</p>

Business credit provisions

Provision	Current law	House bill	Senate bill	Final agreement
Investment tax credit (ITC)	<p>Section 48 commercial ITC provides a tax credit for investments in solar energy property</p> <p>Credit amount is 30% for property that begins construction before Jan. 1, 2020 and is placed into service by Dec. 31, 2023</p> <p>Credit phases down to 26% in 2020, 22% in 2021, 18% in 2022, and drops to a permanent 10% credit for all other property</p>	<p>ITC phase-down remains consistent with current law, but 10% ITC is eliminated entirely for projects that begin construction after 2027</p> <p>Introduces potentially significant “continuous program of construction” condition that must be satisfied to preserve benefits of begun-construction status</p> <p>Forthcoming IRS guidance expected to be similar to guidance for the PTC; Ways & Means Committee Explanation of the provision for PTC clarifies that provision was intended to codify current IRS begun construction rules</p>	<p>No proposed change in law; phase-down of ITC from 30% to 10% continues as originally enacted in 2015</p>	<p>No proposed change in law; phase-down of ITC from 30% to 10% continues as originally enacted in 2015</p>
Orphaned ITC credits	<p>Section 48 commercial ITC for qualified microturbines, fuel cells, combined heat and power systems, and geothermal energy property were not extended in 2015 and expired for property placed in service after Dec. 31, 2016</p>	<p>Restores so-called “orphaned” credits</p> <p>Fiber-optic solar energy, qualified fuel cell, and qualified small wind energy property eligible for 30% ITC if construction begins before 2020 and would be phased out for construction that begins before 2022 using the same schedule currently applicable to solar energy property</p> <p>Qualified microturbine, combined heat and power systems, and geothermal energy property eligible for 10% ITC if construction begins before 2022</p>	<p>No proposed change in law (no extension of the other energy tax credits left out of the 2015 extenders legislation)</p> <p>Senate purportedly preparing separate extenders bill expected to include these “orphaned” credits and follow the same phase-out schedule as House bill</p>	<p>No proposed change in law (no extension of the other energy tax credits left out of the 2015 extenders legislation)</p> <p>Senate purportedly preparing separate extenders bill expected to include these “orphaned” credits and follow the same phase-out schedule as House bill</p>

Business credit provisions

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Orphaned residential ITC credits	Section 25D residential energy-efficient property credit provides an investment credit based on qualified expenditures; credit was extended in 2015 for certain solar property expenditures, but expired for expenditures related to geothermal, small wind and fuel cell property placed in service after Dec. 31, 2016	<p>Extends section 25D credit for residential energy-efficient property for all qualified solar, geothermal, small wind and fuel cell property placed in service prior to 2022, subject to a reduced rate of 26% for property placed in service during 2020 and 22% for property placed in service during 2021; effective for property placed in service after Dec. 31, 2016</p> <p>Harmonizes and extends residential ITC to also include those orphaned technologies (small wind, fuel cells, etc.) that were not included in the 2015 extension</p>	<p>No proposed change in law: existing rules stay in place with only solar electric expenditures qualifying for phase-out of section 25D residential ITC for property installed before Jan. 1, 2022</p> <p>Senate preparing separate extenders bill expected to include these "orphaned" credits and follow the same phase out schedule as House bill</p>	<p>No proposed change in law: existing rules stay in place with only solar electric expenditures qualifying for phase-out of section 25D residential ITC for property installed before Jan. 1, 2022</p> <p>Senate preparing separate extenders bill expected to include these "orphaned" credits and follow the same phase out schedule as House bill</p>
Plug-in electric vehicle credit	Section 30D provides a tax credit for certain qualified plug-in electric vehicles	Repeals credit for new qualified plug-in electric drive motor vehicles, effective for vehicles placed in service in taxable years beginning after Dec. 31, 2017	No proposed change in law; existing rules stay in place	No proposed change in law; existing rules stay in place
New markets credits (NMTC)	<p>Credit under section 45D for qualified equity investments made to acquire stock in a corporation, or a capital interest in a partnership, that is a qualified community development entity (CDE)</p> <p>Credit amount allowable to investor (either the original purchaser or a subsequent holder) is (1) a 5% credit for the year in which the equity interest is purchased from the CDE and for each of the following two years, and (2) a 6% credit for each of the following four years</p>	<p>No additional NMTCs allocated after calendar 2017 (current NMTC allocation round expected to be awarded in early 2018)</p> <p>Credits that have already been allocated including calendar 2017 allocation may be used over the course of up to seven years as contemplated in credit's multi-year timeline</p>	<p>No proposed change in law</p> <p>Additional tax credit allocations to be made for calendar 2017, 2018, and 2019, with credit phased out after 2019</p> <p>New Opportunity Zone provision would be established consolidating current tax law provisions similar to the former Enterprise Zones for the purpose of encouraging private investment in distressed communities</p>	<p>No proposed change in law</p> <p>Additional tax credit allocations to be made for calendar 2017, 2018, and 2019, with credit phased out after 2019</p> <p>Certain administrative changes were made to the new Opportunity Zone Credit provision that would be established consolidating current tax law provisions similar to the former Enterprise Zones for the purpose of encouraging private investment in distressed communities</p>

Business credit provisions

Provision	Current law	House bill	Senate bill	Final agreement
Low-income housing credit (LIHTC)	Section 42 credits may be claimed over 10-year period for cost of building rental housing occupied by tenants with incomes below specified levels; credit amount for any taxable year in the credit period is the applicable percentage of the qualified basis of each qualified low-income building	Retains credit but eliminates issuance of tax-exempt private activity bonds, including those used to finance construction of multifamily homes (i.e., Multifamily Housing Bonds, which are directly responsible for more than 50% of the affordable rental units produced each year under the LIHTC program) 4% credit is currently coupled with Multifamily Housing Bonds, which in turn are allocated based on a state's volume cap for private activity bonds Expected to significantly reduce the size of LIHTC tax equity market if enacted	Retains LIHTC with modifications Adds veterans to the existing law exception to the general public use requirement, enabling developers to target their LIHTC developments to veterans Automatically provides a 25% basis boost to 9% LIHTC developments located in rural areas as defined under section 520 of the Housing Act of 1949 For such rural properties, it would remove current-law discretion that state agencies have on providing 30% basis boost	No proposed change in law; existing rules stay in place
Historic rehabilitation tax credit	20% credit for qualified rehabilitation expenditures with respect to a certified historic structure in section 47 10% credit for qualified rehabilitation expenditures with respect to a qualified rehabilitated building, which generally means a building that was first placed in service before 1936	Repeals 10% credit for pre-1936 buildings, and 20% credit for certified historic structures effective for qualified rehabilitation expenditures paid or incurred after Dec. 31, 2017 Transition rule provides that in the case of qualified rehabilitation expenditures (for either a certified historic structure or a pre-1936 building), with respect to any building owned or leased by the taxpayer at all times on and after Jan. 1, 2018, the 24-month period selected by the taxpayer (under section 47(c)(1)(C)) is to begin not later than the end of the 180-day period beginning on the date of enactment	Repeals 10% credit for pre-1936 buildings and reduces to 10% (from current law 20%) the tax credit for rehabilitation of certified historic structures Both provisions effective for qualified rehabilitation expenditures paid or incurred after Dec. 31, 2017 Includes same 2-year transition rule as the House bill	Follows Senate amendment but modifies the transition rule under the effective date relating to qualified rehabilitation expenditures under certain phased rehabilitations for which the taxpayer may select a 60-month period Applies to amounts paid or incurred after Dec. 31, 2017 Transition rule provides that in the case of qualified rehabilitation expenditures (for either a certified historic structure or a pre-1936 building), with respect to any building owned or leased (as provided under present law) by the taxpayer at all times on and after Jan. 1, 2018, the 24-month period selected by the taxpayer (section 47(c)(1)(C)(i)), or the 60-month period selected by the taxpayer under the rule for phased rehabilitation (section 47(c)(1)(C)(ii)), is to begin not later than the end of the 180-day period beginning on the

Business credit provisions				
Provision	Current law	House bill	Senate bill	Final agreement
				date of the TCJA's enactmen, and the amendments made by the provision apply to such expenditures paid or incurred after the end of the taxable year in which such 24-month or 60-month period ends
Work Opportunity Tax Credit (WOTC)	Section 51 provides that an employer may claim a credit of up to 40 percent of qualified first-year wages of employees belonging to certain target groups.	Repeals the WOTC for amounts paid or incurred to individuals who begin work for the employer after Dec. 31, 2017	No proposed change in law; existing rules stay in place with credit allowed through 2019	No proposed change in law; existing rules stay in place with credit allowed through 2019
PTC for qualifying advanced nuclear facilities	Taxpayers producing electricity at a qualifying advanced nuclear power facility may claim a credit equal to 1.8 cents per kilowatt-hour of electricity produced for the eight-year period starting when the facility is placed in service as provided by section 45J	Beginning after Jan. 1, 2021, the Secretary shall reallocate any national megawatt capacity that remains unused under the cap, first to qualifying facilities to the extent such facilities do not receive an allocation equal to their full capacity, and then to facilities placed in service after such date. New credit transfer provision with respect to certain public utilities would make certain public entities eligible for an election to transfer advanced nuclear production tax credits to specified project participants Effective for tax years beginning after date of enactment	No proposed change in law; existing rules stay in place effectively repealing the credit since current projects under construction are not thought to be able to meet statutory deadlines Senate preparing separate extenders bill expected to include the same modifications as proposed in the House bill	No proposed change in law; existing rules stay in place effectively repealing the credit since current projects under construction are not thought to be able to meet statutory deadlines Senate preparing separate extenders bill expected to include the same modifications as proposed in the House bill
Enhanced oil recovery credit	Section 43 provides a 15% credit for expenses associated with an enhanced oil recovery (EOR) project Qualified EOR costs consist of the following designated expenses associated with an EOR project: (1) amounts paid for depreciable tangible property; (2) intangible drilling and development expenses; (3) tertiary injectant expenses; and (4) construction costs for certain Alaskan natural gas treatment facilities	Repeal effective for tax years beginning after Dec. 31, 2017	No proposed change in law; existing rules stay in place	No proposed change in law; existing rules stay in place

Business credit provisions				
Provision	Current law	House bill	Senate bill	Final agreement
Marginal well credit	Section 45I provides a \$3-per-barrel credit for production of crude oil and a \$0.50 credit per 1,000 cubic feet of qualified natural gas production	Repeal effective for tax years beginning after Dec. 31, 2017	No proposed change in law; existing rules stay in place	No proposed change in law; existing rules stay in place
Orphan drug credit	<p>Section 45C provides 50% business tax credit for qualified clinical testing expenses incurred in testing of certain drugs for rare diseases or conditions</p> <p>Qualified clinical testing expenses are costs incurred to test an orphan drug after the drug has been approved for human testing by the Food and Drug Administration (FDA) but before the drug has been approved for sale by the FDA</p>	Repeal effective for drug manufacturers who incur qualified clinical testing expenses in tax years beginning after Dec. 31, 2017	<p>Limits credit to 50% of so much of qualified clinical testing expenses for the taxable year as exceeds 50% of average qualified clinical testing expenses for the three taxable years preceding taxable year for which the credit is being determined</p> <p>If there are no qualified clinical expenses during at least one of the three preceding taxable years, credit is equal to 25% of qualified expenses</p> <p>Aggregation and other special rules similar to those applicable to the research credit apply where there are controlled groups of corporations, estates and trusts claiming the credit, mergers and acquisitions of taxpayers, and short taxable years</p> <p>Taxpayers may elect a reduced credit in lieu of reducing otherwise allowable deductions in a manner similar to the research credit under section 280C</p> <p>Qualified clinical testing expenses limited to the extent the testing giving rise to such expenses is related to the use of a drug which has previously been approved under section 505 of the Federal Food, Drug, and Cosmetic Act for use in the treatment of any other disease or condition, if all such diseases or conditions in the aggregate (including the rare disease or condition with respect to which the credit is otherwise being determined) affect more</p>	Follows the Senate bill, but reduces the credit rate to 25 percent of qualified clinical testing expenses

Business credit provisions

Provision	Current law	House bill	Senate bill	Final agreement
			than 200,000 persons in the United States Effective for amounts paid or incurred in taxable years beginning after Dec. 31, 2017	
FICA tip credit	Certain food or beverage establishments may elect to claim a business tax credit equal to an employer's taxes under the Federal Insurance Contributions Act (FICA) paid on tips in excess of those treated as wages for purposes of meeting the minimum wage requirements of the Fair Labor Standards Act (FLSA) as in effect on Jan. 1, 2007 under section 45B Applies only with respect to FICA taxes paid on tips received from customers in connection with providing, delivering, or serving of food or beverages for consumption if the tipping of employees delivering or serving food or beverages by customers is customary	Modifies FICA tip credit to reflect the current minimum wage, and adds a reporting requirement for all restaurants claiming the credit for the portion of employer social security taxes paid with respect to employee cash tips Effective for tips received for services performed after Dec. 31, 2017	No proposed change in law: existing rules stay in place	No proposed change in law: existing rules stay in place
Employer-provided child care credit	Taxpayers eligible for a tax credit equal to 25% of qualified expenditures for employee child care and 10% of qualified expenditures for child care resource and referral services; maximum total credit that may be claimed by a taxpayer may not exceed \$150K per taxable year Credit is part of the general business credit	Repeal effective for tax years beginning after Dec. 31, 2017	No proposed change in law: existing rules stay in place	No proposed change in law: existing rules stay in place
Access to disabled individuals credit	Section 44 provides a 50% credit for eligible access expenditures paid or incurred by an eligible small business for the taxable year; limited to eligible access expenditures exceeding \$250 but not exceeding \$10.5K Credit is part of the general business credit	Repeal effective for tax years beginning after Dec. 31, 2017	No proposed change in law: existing rules stay in place	No proposed change in law: existing rules stay in place

Business credit provisions				
Provision	Current law	House bill	Senate bill	Final agreement
Employer credit for paid family and medical leave	N/A	N/A	<p>New section 45S would permit eligible employers (employers that allow all qualifying full-time employees at least two weeks annual paid family and medical leave and allow part-time employees a commensurate amount of leave on a pro rata basis) to claim a business credit for 12.5% of the wages paid to qualifying employees during any period in which such employees are on family and medical leave if the payment rate under the program is 50% of the wages normally paid to an employee</p> <p>Credit would be increased by 0.25 percentage points (but not above 25%) for each percentage point by which the rate of payment exceeds 50%</p> <p>Effective for wages paid in tax years beginning after Dec. 31, 2017; would not apply to wages paid in tax years beginning after Dec. 31, 2019</p>	Follows Senate bill.
Federal credit impact of Base-erosion and anti-avoidance tax (BEAT)	N/A	N/A	<p>For multi-national companies covered under the BEAT provisions, general business tax credits would, as drafted, be subject to a reduction in value (R&D credits would be exempt through 2025)</p> <p>BEAT provision may also significantly impact major financial institutions from the ability to participate in the tax equity financing marketplace</p> <p>BEAT would be applicable to credits generated as a result of projects that began operating in prior years</p>	Follows the Senate bill with modifications; the rates of the BEAT are modified and 80% of a taxpayer's certain general business credits (renewable electricity production tax credit, energy investment tax credit and low-income housing tax credit) may be used against the BEAT

International provisions				
Provision	Current law	House bill	Senate bill	Final agreement
Regime type	Worldwide regime with deferral and foreign tax credit offsets; applies to corporations and individuals	Participation exemption regime with 100% dividends received deduction; only available to corporations	Participation exemption regime with 100% dividends received deduction; only available to corporations	Participation exemption regime with 100% dividends received deduction (only available to corporations)
Foreign-held earnings and profits	US tax deferred until income is repatriated	Deemed repatriation of previously untaxed E&P at rate of 7% (noncash) or 14% (cash & equivalents) <ul style="list-style-type: none"> Applied to E&P as of Nov. 2, 2017 or Dec. 31, 2017, whichever is higher Payable over 8 years 	Deemed repatriation of previously untaxed E&P at rate of 7.49% (noncash) or 14.49% (cash & equivalents) <ul style="list-style-type: none"> Clawback of rate reduction if company inverts within 10 years after bill enactment Payable over 8 years 	Deemed repatriation of previously untaxed E&P at rate of 8% (noncash) or 15.5% (cash & equivalents) <ul style="list-style-type: none"> Clawback of rate reduction if company inverts within 10 years after bill enactment Payable over 8 years
Intangible property	N/A	N/A	20% tax on foreign-derived intangible income (FDII) with 37.5% deduction through 2025, then 21.875% Opens path to tax-free repatriation of IP	20% tax on foreign-derived intangible income (FDII) with 37.5% deduction through 2025, then 21.875%
Base-erosion prevention measures	Subpart F rules limit deferral for certain types of passive and mobile income	20% tax on 50% of foreign high return amounts	20% tax on "global intangible low-taxed income" (GILTI) with 50% deduction through 2025, then 37.5%	20% tax on "global intangible low-taxed income" (GILTI) with 50% deduction through 2025, then 37.5%
		Additional limits on deductions by US corporations of interest paid on debt	Additional limits on deductions by US corporations of interest paid on debt	No provision
		Tax of up to 20% on payments made to related parties abroad from US operations unless treated as "effectively connected income" (ECI)	<ul style="list-style-type: none"> 10% "minimum tax" on taxable income in excess of deductible payments to related foreign parties Deduction denied for interest or royalties paid on certain hybrid transactions if no corresponding inclusion to related party or if related party is allowed deduction 	<ul style="list-style-type: none"> 10% "minimum tax" on taxable income in excess of deductible payments to related foreign parties Deduction denied for interest or royalties paid on certain hybrid transactions if no corresponding inclusion to related party or if related party is allowed deduction

Insurance provisions				
Provision	Current law	House bill	Senate bill	Final agreement
8% surtax	NO PROVISION	Impose 8% surtax based on taxable life insurance company income (in addition to the corporate tax rate), effective for taxable years beginning after Dec. 31, 2017	No provision	No provision
Company share of DRD and tax exempt interest	Company share is calculated based on a complicated formula which differs for general and separate accounts but is generally 100% less the ratio of required interest (or amounts retained) over investment income.	No provision	<ul style="list-style-type: none"> Modify life insurance proration rules for the DRD within 805(a)(4) Define "company share" as a flat 70% and define the "policyholder share" as 30% for purposes of DRD and tax-exempt interest Effective for taxable years beginning after Dec. 31, 2017 	Follows Senate bill
Capitalization of DAC	<p>Deferred acquisition costs (DAC) applicable to specified insurance contracts under IRC section 848.</p> <p>Capitalization rates based on net premiums:</p> <ul style="list-style-type: none"> Annuity contracts – 1.75% Group contracts – 2.05% All other contracts – 7.7% <p>Amortization period is 10 years</p>	No provision	<p>Increase capitalization rates (DAC) applicable to specified insurance contracts under section 848</p> <ul style="list-style-type: none"> Annuity contracts – 2.1% Group contracts – 2.46% All other contracts – 9.24% <p>Increase amortization period to 15 years</p> <p>Effective for taxable years beginning after Dec. 31, 2017</p>	<p>Generally follows Senate bill with slight reductions to capitalization rates (likely due to slightly increased corporate tax rate in conference agreement)</p> <p>15-year amortization period</p> <p>Capitalization rates</p> <ul style="list-style-type: none"> Annuity contracts – 2.09% Group contracts – 2.45% All other contracts – 9.2% <p>Transition rule allows capitalized DAC amounts as of Dec. 31, 2017, to continue 10-year amortization</p>
Computation of life insurance tax reserves	Reserves are computed based on an interest rate equal to the greater of the applicable federal interest rate or the prevailing state assumed interest rate	No provision	<ul style="list-style-type: none"> Eliminate federally prescribed reserve computation of life insurance reserves for tax purposes Base tax reserves on greater of net surrender value of the contract or a flat 92.87% of statutory reserves. Separate account reserves would continue to be accounted as under current law 	<p>Follows Senate bill with modifications</p> <ul style="list-style-type: none"> Base tax reserves on greater of net surrender value of contract or flat 92.81% of statutory reserves Reserve reporting requirement to be implemented Effective for taxable years beginning after Dec. 31, 2017

Insurance provisions				
Provision	Current law	House bill	Senate bill	Final agreement
			<ul style="list-style-type: none"> Effective for taxable years beginning after Dec. 31, 2017 	<ul style="list-style-type: none"> Eight-year spread of reserves difference under old and new methods
Adjustment for change in computing reserves	Income or expense resulting from a change in method of computing reserves is spread over 10 years beginning in the year following the change	<ul style="list-style-type: none"> Repeal section 807(f) 10-year spread for 807(f) adjustments Subject to normal change in method of accounting rules Does not require a request for change in method of accounting Effective for losses arising in taxable years beginning after Dec. 31, 2017 	Follows House bill	Follows House and Senate bills; presumably no change in spread for existing 807(f) amounts, but not addressed in bill text
Net operating losses of life insurance companies	Life companies allowed a 3 year carryback and 15 year carryover	<ul style="list-style-type: none"> Life insurance companies follow general section 172 rules Change operations loss carryover and carryback period through modification of section 172: operations losses no longer eligible for carryback but may be carried forward indefinitely Retain the special 2-year-back, 20-year forward carryback and carryover rule for nonlife insurance companies by amending section 172, and exempt nonlife insurance companies from 80 percent limitation on use of NOLs Effective for losses arising in taxable years beginning after Dec. 31, 2017 	Follows House bill	Follows House and Senate bills General corporate NOL provision in the agreed bill, which would now apply to life insurance companies, allows NOL carryforwards to offset only 80% of taxable income.
Small life insurance company deduction	Life insurance companies may deduct 60% of their first \$3M of life insurance-related income; deduction is phased out for companies with income between \$3M and \$15M, and is not available to life insurance companies with assets of at least \$500M	Repeal small life insurance company deduction in current section 806 and make corresponding revisions to sections 453B(e) and 953(b), effective for taxable years beginning after Dec. 31, 2017	Follows House bill	Follows House and Senate bills

Insurance provisions				
Provision	Current law	House bill	Senate bill	Final agreement
Repeal of special estimated tax payments	Section 847 provides that insurance companies that elect to claim a deduction equal to the difference between the amount of reserves computed on a discounted basis and the amount computed on an undiscounted basis are required to make a special estimated tax payment equal to the tax benefit attributable to the deduction	Repeal section 847 for taxable years beginning after Dec. 31, 2017	Follows House bill but adds transition rules	Follows House and Senate bills, with income and deductions all taken into account for 2018 taxable year; any excess tax payments are to be treated as payment under section 6655
Modifications to proration rules for P&C companies	Reduce DRD and tax exempt interest by a flat 15%	Modifications include replacing the fixed 15% reduction in the reserve deduction for P&C companies with 26.25% rate, effective for taxable years beginning after Dec. 31, 2017	Ties the proration rate to the corporate tax rate for taxable years beginning after Dec. 31, 2017.	Follows Senate bill; new proration percentage is 5.25% divided by top corporate tax rate, i.e., 25% for 2018.
Repeal special rule for distributions from policyholders surplus accounts (PSAs)	Section 815 prescribes rules regarding taxation of certain distributions from PSAs	Repeal current section 815; any remaining balance of the PSA would be included in income over eight years for taxable years beginning after Dec. 31, 2017	Follows House bill	Follows House and Senate bills; eight-year transition rule for income inclusions
Discounting rules for P&C insurance companies	Discount reserves based on the 60 month rolling average AFIR	<p>Require P&C insurance companies to use higher interest rate for section 846 purposes</p> <ul style="list-style-type: none"> • Use corporate bond yield curve to discount unpaid losses • 18 or 25 year limitation for special rule extending loss payment patterns for certain lines of business <p>Repeal section 846(e) election to use company-specific historical loss payment patterns</p> <p>Effective for taxable years beginning after Dec. 31, 2017</p>	No provision	<p>Generally follows House bill</p> <p>Corporate bond yield curve for preceding 60-month period on investment grade corporate bonds with varying maturities and that are in top three quality levels available</p> <p>Present-law 10-year period for certain long tail lines of business is extended for maximum of 24 more years (instead of 15 years)</p> <p>Repeals section 846(e) election that permits taxpayer to use its own payment pattern</p> <p>Effective for taxable years beginning after Dec. 31, 2017</p> <p>Transition rule provides that for first taxable year beginning in 2018, amount of unpaid losses and</p>

Insurance provisions				
Provision	Current law	House bill	Senate bill	Final agreement
				expenses at the end of the preceding taxable year are determined as if the provision had applied to these items in such preceding taxable year; any adjustment spread over eight taxable years beginning in 2018
Net operating loss for nonlife insurance companies	Nonlife insurance companies follow the same rules as general corporations: losses may be carried back 2 years and forward 20	Change to corporate NOL rules would apply to nonlife insurance companies: no carryback and indefinite carryforward	Change to corporate NOL rules provides an exception to nonlife insurance companies: current-law carryback and carryforward rules remain unchanged (back 2, forward 20)	Follows Senate bill; 80% limitation on NOL use does not apply to nonlife insurance companies
Health care or health insurance provisions	Individual mandate enacted in the Patient Protection and Affordable Care Act of 2010 requires a penalty to the extent minimum essential coverage is not maintained	No provision	Reduces penalty to zero	Follows Senate bill; effective date is Jan. 1, 2019.
Life insurance product taxation	<ul style="list-style-type: none"> No reporting requirements on life settlement transactions Lack of clarity regarding basis in life insurance contracts Exceptions exist to transfer for value which ordinarily would disallow the exclusion of death benefits from taxable income 	No provision	<ul style="list-style-type: none"> New reporting requirements on sale of existing life insurance policies (taxable years beginning after Dec. 31, 2017) Basis in contract not reduced by cost of insurance (transactions entered into after Dec. 31, 2017) Transfer for value exception narrowed (transactions entered into after Dec. 31, 2017) 	<ul style="list-style-type: none"> Reporting provision follows Senate bill for reportable policy sales and death proceeds on or after Dec. 31, 2017 Basis clarification follows Senate bill, effective for policy transactions entered into on or after Aug. 25, 2009 (retroactive) Transfer for value exception follows Senate bill for transactions entered into after Dec. 31, 2017

Individual provisions				
Provision	Current law for 2018	House bill	Senate bill	Final agreement
Income tax rate structure	<ul style="list-style-type: none"> 7 brackets; income thresholds indexed for CPI Top rate of 39.6% on income >\$426.7k/\$480.05k (single/joint) 	<ul style="list-style-type: none"> 4 brackets; income thresholds indexed for chained CPI Top rate of 39.6% on income >\$500k/\$1M 6% bubble tax on income \$1M-\$1.2M 	<ul style="list-style-type: none"> 7 brackets; income thresholds indexed for chained CPI Top rate of 38.5% on income >\$500k/\$1M Changes sunset Dec. 31, 2025 	<ul style="list-style-type: none"> 7 brackets; income thresholds indexed for chained CPI Top rate of 37% on income >\$500k/\$600k Changes sunset Dec. 31, 2025
Net investment income and Medicare tax on earned income	<ul style="list-style-type: none"> Additional 3.8% on net investment income >\$125K/\$250K MAGI Additional 0.9% Medicare tax on income >\$200K/\$250K 	No change	No change	No change
Standard deduction	\$6.5K/\$13K	\$12K/\$24K	<ul style="list-style-type: none"> \$12K/\$24K Sunsets Dec. 31, 2025 	Follows Senate bill
Personal exemption	\$4,150 exemption for each member of household, phased out for higher AGIs	Repealed	Repealed through Dec. 31, 2025	Follows Senate bill
Limitation on itemized deductions	Pease limitation for AGI > \$266.7K/\$320K	Repealed	Repealed through Dec. 31, 2025	Follows Senate bill
Child tax credit and family tax credit	\$1K credit per child under age 17; phase out for AGI >\$75K/\$110K	\$1.6K credit per child under age 17 or \$300 per non-child dependent; new \$300 credit for each filer <ul style="list-style-type: none"> \$300 credits nonrefundable and sunset Dec. 31, 2022 Phase-out increased to \$115K/\$230K SSN required for entire credit 	\$2K credit per child under age 18 and \$500 per non-child dependent; no family credit <ul style="list-style-type: none"> Changes sunset Dec. 31, 2025 Phase-out increased to \$500k SSN required for refundable portion of credit 	\$2K credit per child under age 17 and \$500 per nonchild dependent; no family credit <ul style="list-style-type: none"> Changes sunset Dec. 31, 2025 Phase-out increased to \$400k (joint) Maximum refundable credit of \$1.4K per qualifying child; credit for nonchild dependent is non-refundable SSN required for refundable portion of credit
AMT	26%/28% on alternative minimum taxable income	Repealed: 50% of AMT credit carryforwards refundable in 2019-2021; remaining credits refundable from 2022	Exemption increased through Dec. 31, 2025	Retained; exemption increases to \$70.3K/\$109.4K; phase-out thresholds increased to \$500K/\$1M; indexed for inflation; sunsets Dec. 31, 2025

Individual provisions				
Provision	Current law for 2018	House bill	Senate bill	Final agreement
State and local tax (SALT) and property tax deduction	State and local income and property taxes or sales taxes fully deductible	Property taxes up to \$10k deductible; other SALT generally nondeductible <ul style="list-style-type: none"> Deduction still allowed for taxes accrued in business \$10k not inflation indexed 	Property taxes up to \$10k deductible; other SALT generally nondeductible; sunsets Dec. 31, 2025 <ul style="list-style-type: none"> Deduction still allowed for taxes accrued in business \$10k not inflation indexed Sunsets after Dec. 31, 2025 	Deduction of up to \$10k (\$5k MFS) for the aggregate of nonbusiness (1) state and local property taxes, and (2) state and local income taxes or sales taxes; no deduction for foreign nonbusiness property taxes; sunsets Dec. 31, 2025 Prepayments of state and local income tax for 2018 made in 2017 are treated as paid as of last day of 2018
Mortgage interest deduction	Deduction on first \$1M of debt used to secure primary or secondary residence, and first \$100k of home equity debt	Interest deductible on first \$500k of debt for primary residence only <ul style="list-style-type: none"> Effective for debt incurred after 11/2/17 	<ul style="list-style-type: none"> Current-law deduction for primary/secondary residence retained Home equity debt deduction repealed through Dec. 31, 2025 	Interest deductible on first \$750k (\$375k married filing separate) of acquisition indebtedness on primary and secondary residences; sunsets Dec. 31, 2025 <ul style="list-style-type: none"> Effective for debt incurred after Dec. 15, 2017 Existing mortgages grandfathered Home equity debt deduction repealed through Dec. 31, 2025
Exclusion of gain from sale of principal residence	Up to \$250k/\$500k of gain on sale excluded from gross income; must have been principal residence 2 of past 5 years; allowed once every 2 years	Residency required 5 of past 8 years; exclusion allowed once every 5 years; if average MAGI for the taxable year and the 2 preceding taxable years exceeds \$250k/\$500k, the amount excluded from gross income is reduced by the amount of such excess	Residency required 5 of past 8 years; exclusion allowed once every 5 years through Dec. 31, 2025	No provision (retains current law)
Individual health insurance mandate (Affordable Care Act)	Those who fail to maintain health coverage owe penalty of 2.5% of AGI, or \$695 per adult/\$347.50 per child in 2017	No provision	Penalty lowered to zero after Dec. 31, 2018	Penalty lowered to zero after Dec. 31, 2018
Carried interest	May qualify for long-term capital gain treatment under general rules	Increases the holding period requirement under section 1222 from 1 year to 3 years for long-term capital gain with respect to certain partnership interests transferred to or held by the taxpayer in connection with the performance of services	Follows House bill	Follows House bill

Individual provisions				
Provision	Current law for 2018	House bill	Senate bill	Final agreement
Unreimbursed medical expenses	Deductible subject to various AGI limits	Repealed	Deductible subject to 7.5% of AGI limitation for 2018 and 2019; percentage increases to 10% in 2020	Deductible subject to 7.5% of AGI limitation for 2017 and 2018; percentage increases to 10% in 2019
Tax preparation services deduction	Allowed as a 2% miscellaneous itemized deduction	Repealed	Repealed through Dec. 31, 2025	Follows Senate bill
Miscellaneous itemized deductions – 2% floor	Certain deductions (ex. investment/advisor fees) allowed subject to a 2% of AGI floor	No provision	Repealed through Dec. 31, 2025 Note: Under this provision, the Senate version appears to preclude a deduction for all administrative expenses for trusts and estates	Follows Senate bill
Charitable contributions	Deductible subject to various AGI limits	Increased limitation for cash contributions from 50% to 60%; all other AGI limits remain unchanged; deduction denied for payments made in exchange for college athletic event seating rights	Increased limitation for cash contributions from 50% to 60%; all other AGI limits remain unchanged; sunsets Dec. 31, 2025	Increased limitation for cash contributions from 50% to 60%; sunsets Dec. 31, 2025; all other AGI limits remain unchanged; deduction denied for payments made in exchange for college athletic event seating rights
All personal casualty losses	Deductible subject to 10% of AGI	Repealed except for losses in federally declared disaster areas	Repealed except for losses in federally declared disaster areas through Dec. 31, 2025	Follows Senate bill
Excess business loss limitation	A limitation on excess farm losses applies to individuals	No provision	Expands limitation under current law to apply to excess business losses of a taxpayer <ul style="list-style-type: none"> Excess business loss is the excess of aggregate business deductions over sum of aggregate business income plus threshold amount (\$250k/\$500k) Carried forward as part of individual NOL Applies at partner or S corporation shareholder level for passthrough businesses Effective for taxable years beginning after Dec. 31, 2017; sunsets after Dec. 31, 2025 	Follows Senate bill

Individual provisions				
Provision	Current law for 2018	House bill	Senate bill	Final agreement
Net operating loss deduction	2-year carryback and 20-year carryforward allowed to offset taxable income	NOL use limited to 90% of taxable income deductible; carryforward period made indefinite; NOLs increased by interest factor; carrybacks not allowed	Limited to 90% of taxable income deductible through 2022, then 80%; carryforward period made indefinite; carrybacks not allowed	Limited to the lesser of 80% of taxable income (excluding NOLs) or the aggregate NOL carryforward/carryback for tax years beginning after Dec. 31, 2017; carryforward period made indefinite; carrybacks not allowed
Cost basis of specified securities	Unless the average basis method is permitted, a taxpayer who sells stock that the taxpayer acquired on different dates or at different prices and who does not adequately identify the lot from which the stock is sold, must treat the stock sold on a first-in first-out basis to determine the basis and holding period.	No provision	Cost basis of securities sold determined on a first-in first-out basis except to the extent the average basis method is otherwise allowed	No provision
Student loan interest deduction	An individual may claim an above-the-line deduction for interest payments on qualified education loans for qualified higher education expenses. The maximum amount of the deduction is \$2.5K	Repealed	No provision	No provision
Alimony	Alimony payments are deductible by the payer and taxable to the payee	Alimony payments not deductible to the payer and not taxable to the payee. Applies to divorce or separation agreements executed after Dec. 31, 2017 or modified after Dec. 31, 2017 to apply these law changes.	No provision	Alimony payments not deductible to the payer and not taxable to the payee. Applies to divorce or separation agreements executed after Dec. 31, 2018 or modified after Dec. 31, 2018 to apply these law changes
Unreimbursed employee expenses: Moving expenses	Deductible subject to 2% AGI limitation	Repealed, except for active duty armed forces members moving pursuant to military orders; effective for taxable years beginning after Dec. 31, 2017	Repealed for taxable years 2018 through 2025 with an exception for armed forces members moving pursuant to military orders	Follows Senate bill
Estate tax, generation-skipping tax, and gift tax	40% estate and generation-skipping tax; basic exclusion amount of \$5M per taxpayer, adjusted for inflation (\$5.6M in 2018)	40% estate and generation-skipping tax through 2023; both repealed in 2024; gift tax lowered to 35%; basic exclusion amount increased to \$10M per taxpayer, adjusted for inflation	40% estate, gift and generation-skipping tax; basic exclusion amount of \$10M per taxpayer, adjusted for inflation; increased exemption sunsets Dec. 31, 2025	Follows Senate bill (as adjusted for inflation, this equals \$11.2M per taxpayer in 2018); increased exemption sunsets Dec. 31, 2025

Compensation and benefits provisions				
Provision	Current law	House bill	Senate bill	Final agreement
Entertainment, etc. expenses	50% deduction for qualified expenses	Deduction disallowed; no deduction for transportation fringe benefits, athletic facilities or personal amenities provided to employee not directly related to trade or business unless taxable compensation to the employee	Follows House bill but <ul style="list-style-type: none"> Also retains 50% deduction for food and beverage expenses associated with the operation of a taxpayer's trade or business. Expands 50% limitation to employer expenses associated with providing meals to employees through an eating facility considered a de minimis fringe benefit under current law Disallows employer deduction for meals provided for the convenience of the employer through an employer-operated facility Generally applicable to amounts paid or incurred after Dec. 31, 2017 Elimination of meals deduction provided at the convenience of employer applies to amounts paid or incurred after Dec. 31, 2025; however, this provision would be repealed, effective for tax years beginning after Dec. 31, 2025, if certain revenue targets are met 	Follows the Senate bill
Closed/frozen qualified plan nondiscrimination rules	Complicated coverage and nondiscrimination requirements must be satisfied	Special rules for closed/frozen plans making satisfaction of coverage and nondiscrimination testing easier	No provision	No provision

Compensation and benefits provisions				
Provision	Current law	House bill	Senate bill	Final agreement
Deduction for excessive employee remuneration	\$1M deduction limit for covered employee compensation with exceptions for commissions and performance-based compensation	<ul style="list-style-type: none"> • Repeal of performance-based compensation and commission exceptions for \$1M deduction limitation. • CFO added as a covered employee • Status as covered employees continues after separation from service • Expanded definition of applicable employer 	Follows House bill Additional transition rule excepting binding contracts in effect Nov. 2, 2017 and unmodified on or after that date	Follows Senate bill with minor modifications to the transition rule
Qualified equity grants	No provision	Newly proposed Section 83(i) allowing election to defer gain on qualified equity (stock options and restricted stock units) for up to five years for certain private companies	Follows House bill. Also allows employees to make an inclusion deferral on statutory stock options. Generally would apply to stock exercised or options settled after Dec. 31, 2017	Follows the House bill, with changes related to who is eligible and what must be provided. Transition relief is to be provided for notice and participation requirements
Excise tax on excess tax-exempt organization executive compensation	See "Tax-exempt organizations" table	See "Tax-exempt organizations" table	See "Tax-exempt organizations" table	See "Tax-exempt organizations" table
Unrelated Business Taxable Income increased by certain fringe benefits	See "Tax-exempt organizations" table	See "Tax-exempt organizations" table	See "Tax-exempt organizations" table	See "Tax-exempt organizations" table
Dependent care assistance programs	Exclusion for amounts paid or incurred by an employer	Sunsets for tax years beginning after Dec. 31, 2022	No provision	No provision
Qualified bicycle commuting reimbursement	Excluded from income	Not addressed	Repealed	Follows Senate bill

Compensation and benefits provisions				
Provision	Current law	House bill	Senate bill	Final agreement
Recharacterization of certain IRA and Roth IRA Contributions	Taxpayers permitted to recharacterize contributions and conversion of IRAs	Repealed	Follows House bill	Follows House bill and Senate bill, but with a modification <ul style="list-style-type: none"> Recharacterization of regular, annual contributions will be permitted, but not for Roth IRA conversions; thus, someone who converts a traditional IRA to a Roth IRA cannot change his or her mind after the conversion Legislative history confirms that making an annual contribution to a traditional IRA and then converting it to a Roth (the "backdoor" Roth Contribution) is permissible
In-service distributions from certain retirement plans	In service distributions permitted beginning at 62 for defined benefit plans and from section 457(b) state and local government plans beginning 70 ½	Reduces age for in-service distributions to 59 ½ for eligible defined benefit and section 457(b) plans	No provision	No provision
Hardship distributions from retirement plans: Employee contributions	Prohibits employee contributions for six months after receiving a hardship distribution	No six-month prohibition on employee contributions after taking a hardship distribution	No provision	No provision
Hardship distributions from retirement plans: Amounts eligible for withdrawal	Withdrawals limited to employee contributions	Allows employees to take hardship distributions from a plan using account earnings, employer contributions and employee contributions	No provision	No provision
Rollovers of plan loan offsets	60 days to contribute rollover of plan loan offset amount to an IRA to avoid taxable distribution	Extends permissible period for a rollover of loan offset to the due date (including extensions) for filing the return for the taxable year, if the offset is the result of termination of the plan or separation from service	Follows House bill, except that the offset must be as a result of termination of the plan, or the participant's termination of employment	Follows the Senate amendment

Compensation and benefits provisions				
Provision	Current law	House bill	Senate bill	Final agreement
Employer-provided housing	Excluded from income	Limits the exclusion to \$50K (\$25K for married individuals filing separately) Limited to one residence, and would phase out for highly compensated individuals and denied for 5% owners	No provision	No provision
Employee achievement awards	Excluded from income	Repealed	Allows exclusion but narrows definition of employee achievement award	Follows the Senate bill
Qualified moving expense reimbursements	Excluded from income	Repealed	Follows House bill although carves out military moves	Follows the Senate bill
Adoption assistance programs	Excluded from employee's taxable income	Repealed	No provision	No provision
Length of service awards for public safety volunteers	May defer up to \$3K for length of service award	Not addressed	Increase from \$3K to \$6K	Follows the Senate bill
Archer Medical Savings Accounts (Archer MSAs)	Deduction permitted for contributions and employer contributions are excludible from income	Repealed. Maintains rollover of balances tax-free to health savings account.	No provision	No provision
Provisions related to education	Exclusion of up to \$5,250 of qualified education assistance	Repealed	No provision	No provision

Tax-exempt organizations				
Provision	Current law	House bill	Senate bill	Final agreement
Excise tax on private foundation investment income	Private foundations are subject to a 2% excise tax on their net investment incomes, but may reduce this excise tax rate to 1% by making distributions equal to the averages of their distributions from the previous five years plus 1%	Simplifies excise tax based on private foundation investment income by replacing present-law two-rate structure (2% and 1%) with a single rate of 1.4 percent	No provision	No provision
Investment income of private colleges and universities	Private foundations and certain charitable trusts are subject to excise tax of up to 2% on their net investment income (would be reduced to 1.4% under House version of H.R. 1); excise tax on net investment income does not apply to public charities, including colleges and universities	1.4% excise tax on net investment income of certain private colleges and universities with at least 500 students and with endowment assets of at least \$250K per student; for these purposes, assets and investment income of related entities are treated as assets and investment income of the educational institution	Follows House bill with modifications: <ul style="list-style-type: none"> • Institution must have at least 500 tuition paying students • Endowment-per-student threshold is increased from \$250K to \$500K • Clarifies that related-party rule generally applies only to assets and investment income intended or available for the use or benefit of the educational institution, and that an amount held by a related party cannot be taken into account with respect to more than one educational institution 	Follows the Senate with modifications: <ul style="list-style-type: none"> • Applies to Institutions with at least 500 tuition-paying students of whom more than 50% are located in in the United States
Excise tax on excess tax-exempt organization executive compensation	No provision	<ul style="list-style-type: none"> • 20% excise tax for covered employees (generally, top five highest-compensated employees each year) receiving compensation in excess of \$1M or excess parachute payments • Covered-employee status continues regardless of whether individual remains a top five most highly-compensated employee and after separation from service • 20% excise tax also applies to severance payments to covered employees 	Follows House bill	Follows the House bill with modifications: <ul style="list-style-type: none"> • Excise tax rate is 21% • Compensation subject to excise tax does not include amounts earned by licensed professional or paid to a licensed professional for the performance of medical or veterinarian services • IRS instructed to write regulations to prevent avoidance of tax through services as a non-employee or through the use of passthrough or other entity to avoid such tax

Tax-exempt organizations				
Provision	Current law	House bill	Senate bill	Final agreement
Unrelated Business Taxable Income increased by certain fringe benefits	Tax-exempt entities may deduct certain fringe benefit expenses incurred in determining unrelated taxable income	Increases unrelated business taxable income by the amount of certain fringe benefit expenses for which a deduction would be disallowed if the employer were a for-profit organization	No provision	Follows House bill
Unrelated Business Income Tax (UBIT) treatment of section 501(a) organizations	Current law is unclear regarding whether certain state and local entities (such as public pension plans) that are exempt under section 115(l) as government-sponsored entities that have also obtained tax exempt status pursuant to section 501(a) are subject to the UBIT rules	Clarifies that an organization (such as a state pension fund) that is tax-exempt or whose income is excluded from tax under a section other than section 501 (such as organizations that perform an essential governmental function that exclude income under section 115) and who have also obtained tax exemption under section 501(a) (so-called dual status organizations) are subject to the UBIT rules under section 511	No provision	No provision
Unrelated Business Income Tax treatment of research income	Income derived from a research trade or business is exempt from UBIT in the case of (1) research performed for the US or a state or political subdivision; (2) research performed by a college, university or hospital for any person; and (3) research performed by an organization operated primarily to conduct fundamental research the results of which are freely available to the general public	Exclusion of research income from unrelated business taxable income for certain organizations limited to income from publicly available research	No provision	No provision
Qualification of art museums as private operating foundations	Private operating foundations (a form of private foundation that may use tax-free donations to fund their own activities rather than make grants to other charities) are exempt from a 30% excise tax on certain undistributed earnings that other private foundations must pay	Art museums will not qualify for private operating foundation status unless the museum is open to the public during normal business hours for at least 1,000 hours a year	No provision	No provision

Tax-exempt organizations

Provision	Current law	House bill	Senate bill	Final agreement
Private foundation excess business holdings tax	<ul style="list-style-type: none"> In general, a private foundation may not own more than a 20% interest in a for-profit business, and any private foundation that does hold more than such an excess holding is subject to a 10% excise tax based on the value of that excess holding A private foundation that does not divest itself of excess holdings by the close of the subsequent year is subject to a 200% excise tax based on the value of the excess holdings 	<p>Excludes from the definition of a business enterprise:</p> <ul style="list-style-type: none"> Business 100% owned by the private foundation Profits all distributed to the foundation (within specific timeframe) Foundation interest acquired by means other than purchase Independently operated 	No provision	No provision
Political activity by section 501(c)(3) organizations	Charitable organizations may not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office	Temporarily allows 501(c)(3) organizations to make statements relating to a political campaign in ordinary course of their tax-exempt activities as long as they do not incur more than incidental incremental expenses, effective for tax years beginning ending after date of enactment; sunsets for tax years beginning after Dec. 31, 2023	No provision	No provision
Reporting requirements for donor advised fund sponsoring organizations	An organization sponsoring donor advised funds must reports on its Form 990 (1) the total number of donor advised funds it owns, (2) the aggregate value of assets held in those funds at the end of the organization's taxable year, and (3) the aggregate contributions to and grants made from those funds during the year; when seeking recognition of its tax-exempt status, a sponsoring organization must disclose whether it intends to maintain donor advised funds	<p>Adds new Form 990 disclosures for sponsors of donor advised funds</p> <ul style="list-style-type: none"> The average amount of grants made from donor advised funds during the taxable year Whether the organization has a policy with respect to donor advised funds relating to the frequency and minimum level of distributions from donor advised funds (sponsoring organization must include with its return a copy of any such policy) 	No provision	No provision

Tax-exempt organizations				
Provision	Current law	House bill	Senate bill	Final agreement
UBIT computation for trade or business activities	Unrelated business income is calculated on an activity basis, but profits and losses from multiple activities may be netted against each other in order to calculate net unrelated business taxable income	No provision	Requires unrelated business income to be calculated for each unrelated activity and losses from one activity may not offset income from another; losses from an activity will carry forward and offset future income from the activity	Follows Senate bill
Charitable deductions for contributions to obtain the right to purchase college athletic event seating	Charitable deduction generally disallowed to the extent a taxpayer receives a benefit in return for a contribution, but a special rule permits taxpayers to deduct as a charitable contribution 80% of the value of a contribution made to an educational institution to secure the right to purchase tickets for seating at an athletic event in a stadium at that institution	No charitable deduction for payments in exchange for which the payer obtains the right to purchase college athletic event seating	Follows House bill	Follows House bill
Private Activity Bonds	Issued by state and local governments to finance the activities of or loans to private parties, with indirect benefits accruing to the state or locality issuing the bond; interest excluded from gross income and therefore exempt from regular income tax but not excludable under AMT	Interest on private activity bonds would be included in income and thus subject to tax, effective for bonds issued after 2017	No provision	No provision
Tax credit bonds	Various categories issued by state and local governments and other entities to finance specific types of projects Each category has its own set of rules regarding volume cap, if any, and allocation; bond holders receive federal tax credits fully or partially in lieu of interest payments from the issuer, depending on level of federal subsidy	Repeal; holders and issuers would continue receiving tax credits and payments for tax credit bonds already issued, but no new bonds could be issued Effective for bonds issued after 2017	No provision	Follows House bill

Tax-exempt organizations

Provision	Current law	House bill	Senate bill	Final agreement
Professional sports stadium bonds	Some state and local governments have issued bonds to construct professional sports stadiums and successfully taken the position that bond interest is exempt from federal tax because the bonds are public purpose bonds	Interest on bonds issued to finance the construction of, or capital expenditures for, a professional sports stadium would be subject to federal tax, effective for bonds issued after Nov. 2, 2017 (date of introduction)	No provision	No provision
Advance refunding bonds	Interest on advance refunding bonds generally not taxable for government bonds but is taxable for private activity bonds	Repeal	Follows House bill	Follows House bill