

## It's official.

Both chambers of Congress have now [passed](#) the Republican tax overhaul bill on strictly party-line votes. It's the first such overhaul in more than 30 years.

Next stop: President Trump's desk, where he is expected to sign it into law this week.

The tax overhaul -- which will affect all corners of the U.S. economy and everyone in it -- will have crossed the finish line in just 7 weeks since first being introduced.

The final bill still leans heavily toward tax cuts for corporations and business owners. But it also expands or restores some tax benefits for individuals relative to the earlier bills passed by the House and Senate.

The individual provisions would expire by the end of 2025, but most of the corporate provisions would be permanent.

All told, the final bill includes trillions in tax cuts, most of which but not all are offset by revenue-raising measures. The bill on net would increase deficits by an estimated \$1.46 trillion over a decade, according to the nonpartisan Joint Committee on Taxation. That number would be much higher if, as Republicans assume, a future Congress does not allow the individual tax cuts to expire after 2025.

One important note: The bill would not affect 2017 taxes, for which Americans will start filing their returns in a month or so.

With that, here's a quick rundown of 16 key provisions in the final bill.

### FOR INDIVIDUAL FILERS

**1. Lowers (many) individual rates:** The bill preserves seven tax brackets, but changes the rates that apply to: 10%, 12%, 22%, 24%, 32%, 35% and 37%.

Today's rates are 10%, 15%, 25%, 28%, 33%, 35% and 39.6%.

Here's how much income would apply to the new rates:

- 10% (income up to \$9,525 for individuals; up to \$19,050 for married couples filing jointly)
- 12% (over \$9,525 to \$38,700; over \$19,050 to \$77,400 for couples)
- 22% (over \$38,700 to \$82,500; over \$77,400 to \$165,000 for couples)
- 24% (over \$82,500 to \$157,500; over \$165,000 to \$315,000 for couples)
- 32% (over \$157,500 to \$200,000; over \$315,000 to \$400,000 for couples)
- 35% (over \$200,000 to \$500,000; over \$400,000 to \$600,000 for couples)
- 37% (over \$500,000; over \$600,000 for couples)

**2. Nearly doubles the standard deduction:** For single filers, the bill increases it to \$12,000 from \$6,350 currently; for married couples filing jointly it increases to \$24,000 from \$12,700.

The net effect: The percentage of filers who choose to itemize would drop sharply, since the only

reason to do so is if your deductions exceed your standard deduction.

**3. Eliminates personal exemptions:** Today you're allowed to claim a \$4,050 personal exemption for yourself, your spouse and each of your dependents. Doing so lowers your taxable income and thus your tax burden. The GOP tax plan eliminates that option.

For families with three or more kids, that could mute if not negate any tax relief they might get as a result of other provisions in the bill.

[Related: Read the Republican tax plan](#)

**4. Caps state and local tax deduction:** The final bill will preserve the state and local tax deduction for anyone who itemizes, but it will cap the amount that may be deducted at \$10,000. Today the deduction is unlimited for your state and local property taxes plus income or sales taxes.

The SALT break has been on the book for more than a century. The original House and Senate GOP bills sought to repeal it entirely to help pay for the tax cuts, but that met with stiff resistance from lawmakers in high-tax states.

Residents in the vast majority of counties across the country claim an average SALT deduction below \$10,000, according to the Tax Foundation. So for low- and middle-income families who currently itemize because of their SALT deduction, they're likely to take the much higher standard deduction under the bill if it becomes law, unless their total itemized deductions, including SALT, top \$12,000 if single or \$24,000 if married filing jointly.

Preserving the break -- albeit with a cap -- is likely to provide more help to higher income households in high-tax states.

**5. Expands child tax credit:** The credit would be [doubled](#) to \$2,000 for children under 17. It also would be made available to high earners because the bill would raise the income threshold under which filers may claim the full credit to \$200,000 for single parents, up from \$75,000 today; and to \$400,000 for married couples, up from \$110,000 today.

[Related: House passes GOP tax bill, goes to vote in Senate later Tuesday](#)

Like the first \$1,000 of the child tax credit, \$400 of the additional \$1,000 also will be refundable, meaning a low- or middle-income family will be able get the money refunded to them if their federal income tax liability nets out at zero.

Even with the additional \$400 in refundability, however, 10 million children from working low-income families would receive only an additional \$75 in benefit under the bill, according to the Center on Budget and Policy Priorities estimates.

**6. Creates temporary credit for non-child dependents:** The bill would allow parents to take a \$500 credit for each non-child dependent whom they're supporting, such as a child 17 or older, an ailing elderly parent or an adult child with a disability.

**7. Lowers cap on mortgage interest deduction:** If you take out a new mortgage on a first or second

home you would only be allowed to deduct the interest on debt up to \$750,000, down from \$1 million today. Homeowners who already have a mortgage would be unaffected by the change.

The bill would no longer allow a deduction for the interest on home equity loans. Currently that's allowed on loans up to \$100,000.

**8. Curbs who's hit by AMT:** Earlier bills called for the elimination of the Alternative Minimum Tax. The final version keeps it, but reduces the number of filers who would be hit by it by raising the income exemption levels to \$70,300 for singles, up from \$54,300 today; and to \$109,400, up from \$84,500, for married couples.

**9. Preserves smaller but popular tax breaks:** Earlier versions of the bill had proposed repealing the deductions for medical expenses, student loan interest and [classroom supplies bought with a teacher's own money](#). They also would have repealed [the tax-free status of tuition waivers for graduate students](#).

The final bill, however, preserves all of these as they are under the current code. And it actually expands the medical expense deduction for 2018 and 2019.

**10. Exempts almost everybody from the estate tax:** Unlike the House GOP bill, the final bill does not call for a repeal of the estate tax.

But it essentially eliminates it for all but the smallest number of people by doubling the amount of money exempt from the estate tax -- currently set at \$5.49 million for individuals, and \$10.98 million for married couples. Even at today's levels, only 0.2% of all estates ever end up being subject to the estate tax.

**11. Slows inflation adjustments in tax code:** The bill would use "chained CPI" to measure inflation, which is a slower measure than is used today. The net effect is your deductions, credits and exemptions will be worth less -- since the inflation adjusted dollars defining eligibility and maximum value would grow more slowly. It also would subject more of your income to higher rates in future years than would be the case under the current code.

**12. Eliminates mandate to buy health insurance:** There [would no longer be a penalty for not buying insurance](#). While long a goal of Republicans to get rid of it, the measure also would help offset the cost of the tax bill. It is estimated to save money because it would reduce how much the federal government spends on insurance subsidies and Medicaid.

The Congressional Budget Office expects fewer consumers who qualify for subsidies will enroll on the Obamacare exchanges, and fewer people who are eligible for Medicaid will seek coverage and learn they can sign up for the program.

But policy experts also note that the mandate repeal could raise premiums because more healthy people might decide to skip buying insurance.

## **FOR BUSINESSES AND CORPORATIONS**

**13. Lowers tax burden on pass-through businesses:** The tax burden on owners, partners and shareholders of S-corporations, LLCs and partnerships -- who pay their share of the business' taxes

through their individual tax returns -- would be lowered by a 20% deduction, somewhat less than the 23% called for in the Senate-passed bill.

The 20% deduction would be prohibited for anyone in a service business -- unless their taxable income is less than \$315,000 if married (\$157,500 if single).

**14. Includes rule to prevent abuse of pass-through tax break:** If the owner or partner in a pass-through also draws a salary from the business, that money would be subject to ordinary income tax rates.

But to prevent people from recharacterizing their wage income as business profits to get the benefit of the pass-through deduction, the bill would place limits on how much income would qualify for the deduction.

Tax experts nevertheless have warned that this kind of anti-abuse measure still presents taxpayers with a lot of opportunities to game the system, and favors passive owners of a business over active owners who actually run things.

**15. Slashes corporate rate:** The bill cuts the corporate rate to 21% from 35%, starting next year. That's somewhat higher than the 20% called for earlier. The increase was made to free up some revenue to accommodate lawmaker demands on other provisions. The bill would also repeal the alternative minimum tax on corporations.

**16. Change how U.S. multinationals are taxed:** Today U.S. companies owe Uncle Sam tax on all their profits, regardless of where the income is earned. They're allowed to defer paying U.S. tax on their foreign profits until they bring the money home.

Many argue that this "worldwide" tax system puts American businesses at a disadvantage. That's because most foreign competitors come from countries with territorial tax systems, meaning they don't owe tax to their own governments on income they make offshore.

The final GOP bill proposes switching the U.S. to a territorial system. It also includes a number of anti-abuse provisions to prevent corporations with foreign profits from gaming the system.

In the meantime it would require companies to pay a one-time, low tax rate on their existing overseas profits -- 15.5% on cash assets and 8% on non-cash assets (e.g., equipment abroad in which profits were invested), slightly higher than the rates in the Senate- and House-passed bills.