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The final GOP tax bill is complete. Here's what is in it.

By Heather Long December 15, 2017

Republicans were joyful Friday as they finalized their tax plan, bridging differences between the House and Senate bills and moving another step closer to getting legislation to President Trump by Christmas.

They also appear to have locked down the votes they need to pass the measure through the House and Senate after Sens. Marco Rubio (R-Fla.) and Bob Corker (R-Tenn.) pledged their support.

Overall, the Tax Cuts and Jobs Act represents the largest one-time reduction in the corporate tax rate in U.S. history, from 35 percent down to 21 percent. The bill also lowers taxes for the vast majority of Americans, as well as small-business owners — at least until the cuts expire after eight years.

Last-minute changes to the GOP's big plan give a larger tax break to the wealthy and preserves certain tax savings for the middle class, including the student-loan interest deduction, the deduction for excessive medical expenses and the tax break for graduate students. A change made Friday morning to win over Rubio expands the child tax credit even further to give more money to working-class families.

Here's a rundown of what's in the final bill. (If you want to read all 505 pages, click here.)

What is changing

A new tax cut for the rich: The final plan lowers the top tax rate for top earners. Under current law, the highest rate is 39.6 percent for married couples earning over $470,700. The GOP bill would drop that to 37 percent and raise the threshold at which that top rate kicks in, to $500,000 for individuals and $600,000 for married couples. This amounts to a significant tax break for the very wealthy, a departure from repeated claims by Trump and his top officials that the bill would not benefit the rich. The new tax break for millionaires goes beyond what was in the original House and Senate bills, with Republicans seeking to ensure wealthy earners in states such as New York, Connecticut and California don't end up paying substantially higher taxes as a result of the bill.

A massive tax cut for corporations: Starting on Jan. 1, 2018, big businesses' tax rate would fall from 35 percent to just 21 percent, the largest one-time rate cut in U.S. history for the nation's largest companies. The House and Senate bills originally had the big-business tax rate falling to 20 percent, but Republicans were not able to make the math work to keep the rate that low and start it right away in the new year, so they compromised by moving the rate to 21 percent. It still amounts to roughly a $1 trillion tax cut for businesses over the next decade. Republicans argue this will make the economy surge in the coming years, but most independent economists and Wall Street banks predict only a modest and short-lived boost to growth.

You can deduct just $10,000 in state, local and property taxes: One of the most controversial parts of the GOP tax plan is the push to greatly scale back how much state and local taxes Americans can deduct on their federal income taxes. Under current law, the state and local deduction (SALT) is unlimited. In the final GOP plan, people can deduct up to $10,000 (married couples are also limited to just $10,000). The House initially restricted the $10,000 deduction to just property taxes, but the final bill allows any state and local taxes to be deducted, whether for property, income or sales taxes. The move is widely viewed as a hit to blue states such as New York, Connecticut and California, and there are concerns it could cause property values to fall in high-tax cities and leave less money for public schools and road repairs.

Most Americans will pay less in taxes until 2026. The final plan lowers the tax rates for each income level and nearly doubles the standard deduction (while also scrapping the personal exemption). The result is that the vast majority of Americans will see their tax bills drop next year. Trump is fond of saying the "typical" family will save $2,000, but the reality is the amount will vary greatly depending up the size, location and circumstances of each family. The bill will also increase the number of Americans who owe nothing in taxes from 44 percent today to 47.5 percent after the plan tax effect on January 1, 2018. But all of the individual tax cuts are scheduled to go away after 2025. Republicans opted to make tax cuts for families temporary and reductions for businesses permanent.

Working-class families get a bigger child tax credit: Thanks to a late push by Rubio and Sen. Mike Lee (R-Utah), the child tax credit would be more generous for low-income families and the working class. The current child tax credit is $1,000 per child. The House and Senate bills expanded the child tax credit, with the Senate going up to a maximum of $2,000 per child. The final bill keeps the $2,000-per-child credit (families making up to about $400,000 get to take the credit), but it also makes more of the tax credit refundable, meaning families that work but don't earn enough to actually owe any federal income taxes will get a large check back from the government. Benefits for those families were initially limited to about $1,100, but through changes Rubio and Lee pushed for, it's now up to $1,400.

The individual health insurance mandate goes away in 2019: Beginning in 2019, Americans would no longer be required by law to buy health insurance (or pay a penalty if they don't). The individual mandate is part of the Affordable Care Act, and removing it was a top priority for Trump and congressional Republicans. The final bill does not start the repeal until 2019, though. The Congressional Budget Office projects the change will increase insurance premiums and lead to 13 million fewer Americans with insurance in a decade, while also cutting government spending by more than $300 billion over that period. Some Republicans hope to make other changes to health care to prevent insurance costs from rising dramatically by the time the repeal kicks in.

You can pass your heirs up to $22 million tax-free: In the end, the estate tax (often called the "death tax" by opponents) would remain part of the U.S. tax code, but far fewer families will pay it. Under current law, Americans can pass on up to $5.5 million tax-free (that threshold is $11 million for married couples). The House wanted to do away with the estate tax entirely, but some senators felt that was too much of a giveaway to the mega-rich. The final compromise was to double the threshold, so now the first $11 million that people pass on to their heirs in property, stocks and other assets won't be taxed (and yes, that means $22 million for married couples).

"Pass through" companies get a 20 percent reduction: Most American businesses are organized as "pass through" companies in which the income from the business is "passed through" to the business owner's individual tax return. S corporations, LLCs, partnerships and sole proprietorships are all examples of pass-through businesses. In the final GOP bill, the majority of these companies get to deduct 20 percent of their income tax-free, a large reduction that mirrors what was in the Senate bill. The changes, however, expire after 2025. The National Federation of Independent Business initially opposed the House version, arguing that it didn't do enough for small businesses. But the NFIB later endorsed the House and Senate plans. Service businesses such as law firms, doctor's offices and investment offices can take only the 20 percent deduction if they make up to $315,000 (for married couples).

No corporate "AMT" tax: The final GOP bill gets rid of the corporate alternative minimum tax, a big relief to the business community. The Senate included the corporate AMT in its version of the bill, but the House did not. The corporate AMT makes it difficult for businesses to reduce their tax bill much lower than 21 percent. CEOs complained that this was a backdoor tax that would make them less likely to build new plants, buy more equipment and invest in more research, since the corporate AMT made the tax credits for those investments essentially null and void.

Fewer families will have to pay the individual AMT: The AMT for individuals started in 1969 as a way to prevent rich families from using so many credits and loopholes to lower their tax bill to almost nothing. But what started out as a way to prevent the wealthiest Americans from tax dodging started to hit more and more families over time. Currently, the AMT kicks in fully for individuals earning over $120,700 and married couples earning over $160,900. Under the final Senate bill, that threshold is lifted to $500,000 for individuals and $1 million for married couples. (Some families in the $200,000 to $500,000 range will still have to pay AMT, but they will pay far less than they were before).

The mortgage interest deduction gets smaller: Under the current tax code, taxpayers can deduct any interest they pay on up to $1 million worth of mortgage loans. House Republicans tried to cap that at $500,000 for new loans (existing mortgages are unaffected by the plan) but in the final version of their, Republicans have settled on a $750,000 cap.

The final bill costs $1.46 trillion: Republicans decided it would be all right to go into debt up to $1.5 trillion to fund the tax cut. In the end, they nearly hit that mark. The official estimate -- released Friday evening alongside the bill -- came in at $1.46 trillion.

What is NOT changing:

The bill keeps in place the **student loan deduction**, the **medical expense deduction** and the **graduate student tuition waivers.** The House bill got rid of these popular deductions, but the Senate bill kept them, and the final bill even makes the medical deduction a bit more generous for awhile (dropping the threshold to take the deduction from expenses over 10 percent of income to expenses over 7.5 percent of income for 2017 and 2018). After that, the medical deduction threshold reverts to 10 percent). In the end, Republicans decided it was better to allow millions of middle-class families to continue using these breaks if they qualify for them.

Retirement accounts such as 401(k) plans stay the same. No changes to the tax-free amounts people are allowed to put into 401(k)s, IRAs and Roth IRAs.

Churches, synagogues, mosques and other nonprofits (the **Johnson Amendment** **stays in place**) can't get political and endorse candidates in elections. Trump and conservative Republicans wanted to “totally destroy” (Trump's words) the Johnson Amendment, which has been in place since 1954 and prevents religious institutions and nonprofits from getting involved in elections via fundraising or endorsements. The House bill included a repeal of the Johnson Amendment, but Democrats were able to get the Senate parliamentarian to determine that including the repeal in the bill didn't comply with the rules of the Senate.

Correction: An earlier version of this post misstated the CBO's estimates for the number of uninsured Americans in 10 years. It predicts 13 million fewer people will have health insurance if the individual mandate is lifted.

3141 Comments

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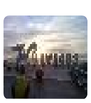

samofnj 3 months ago
Regarding AMT for individual tax payers (not companies) you wrote:
Under the final Senate bill, that threshold is lifted to $500,000 for individuals and $1 million for married couples. (Some families in the $200,000 to $500,000 range will still have to pay AMT, but they will pay far less than they were before).