The Proposed GOP Final House/Senate Version 12/15/2017

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What's in the GOP's final tax plan?

By Jeanne Sahadi   @CNNMoney December 15, 2017: 9:13 PM ET

Republicans reveal final tax plan details….

Just six weeks after lawmakers and the public got their first glimpse of the first draft of a tax overhaul bill, Republicans on Friday released their final version. They aim to pass it next week and send it to President Trump for his signature.

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.

Here's a quick rundown of 16 key provisions.

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.

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 adjusted gross income and thus your tax burden. The GOP tax plan eliminates that option.

Note: *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.*

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. Capping it at $10,000 would largely benefit the highest income households in the highest taxed areas of the country. That's because for most low- and middle income people who pay property and income taxes, they would still be better off under the nearly doubled standard deduction -- unless when combined with what they pay in mortgage interest and charitable contributions their deductions top $12,000 if single (or $24,000 if married).

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.

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.