

<u>Provision</u>	<u>House Version of H.R. 1, the Tax Cuts and Jobs Act</u>	<u>Senate Version of the Tax Cuts and Jobs Act</u>
Passive Shareholder	100% of passive income* capped at 25% rate. *Defined under Section 469	Passive shareholder* income subject to 23% deduction**. *Defined under Section 469 **23% deduction expires 12/31/25
Service Businesses* *Defined under Section 1202(e)(3)(A) plus financial services	Defaults to 100% of income from service businesses treated as wages*; Service businesses eligible for special “small business rate” *Can access 25% through ROI calculation if over 10% capital investment	Excluded from receiving the 23% deduction above \$500,000 (MFJ) and \$250,000 (Ind)* *Phases out at \$600,000/\$300,000 **Expires 12/31/25
Expensing	Temporary full expensing for property currently eligible for bonus depreciation for 5 years; Applies to new and used equipment	Temporary full expensing for property currently eligible for bonus depreciation for 5 years; Applies to new equipment only
Section 179 Expensing	Temporarily increased to \$5 million with \$20 million phaseout for 5 years; Energy efficient HVAC equipment added *Indexed to inflation	Permanently increased to \$1 million with \$2,500,000 phaseout; Roofs, HVAC, fire protection, alarms, and security systems added *Indexed to inflation
Real Property Depreciation	No provision	Depreciable life reduced to 25 years
Cash Accounting	Available to C-Corps and Pass-Throughs with up to \$25 million in gross receipts, including inventories* *Farming and Professional Service Corporation Exemptions from Accrual Retained	Available to C-Corps and Pass-Throughs with up to \$15 million in gross receipts, including inventories* *Farming and Professional Service Corporation Exemptions from Accrual Retained
UNICAP Exemption	Increased to \$25 million	Increased to \$15 million
Small Contractor Exemption	Increased to \$25 million	Increased to \$15 million
Interest Deduction	Interest exceeding 30 percent EBITDA not deductible. Exempts real property trades or businesses. Exempts businesses with less than \$25 million in gross receipts.	Interest exceeding 30 percent EBIT not deductible. Exempts real property trades or businesses. Exempts businesses with less than \$15 million in gross receipts.
State and Local Taxes	Repealed except for \$10,000 property tax deduction allowance	Repealed except for \$10,000 property tax deduction allowance* *Expires 12/31/25

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Net Operating Losses (NOLs)	Follows AMT rule for NOLs to be carried forward indefinitely. Deduction of NOLs limited to 90% of current year taxable income; NOL carrybacks eliminated, except for one-year carrybacks for certain disaster losses.	Follows AMT rule for NOLs to be carried forward indefinitely. Deduction of NOLs limited to 90% of current year taxable income; Limited to 80% of taxable income in 12/31/22; NOL carrybacks eliminated, except for one-year carrybacks for certain disaster losses.
Domestic Production Activities Deduction (Section 199)	Repealed	Repealed
Mortgage Interest	Deductible up to \$500,000; Home equity deduction repealed; Interest from second home deduction repealed	Deductible up to \$1 million; Home equity deduction repealed
Estate/Gift/GST Taxes	Estate tax exclusion doubled from current level* to \$10.98 million for 5 years (40 percent rate retained), then estate and GST tax fully repealed after 2023; Stepped-up basis retained; Gift tax exclusion raised to \$10 million, rate lowered to 35% *Indexed to inflation from 2011	Estate and gift tax exclusion doubled from current level* to \$10.98 million** *Indexed to inflation from 2011 **Expires 12/31/25
Like-Kind Exchanges (LKEs)	LKEs for real property only. Equipment disallowed.	LKEs for real property only. Equipment disallowed.
Indexing	Chained CPI for inflation adjustment	Chained CPI for inflation adjustment
Private Activity Bonds (PABs)	Repeals tax exemption for all PABs issued after 2017	No provision
Historic Tax Credit	Repealed	10% credit for pre-1936 buildings repealed; 20% credit for certified historic structures amortized over 5 years
New Markets Tax Credit	Prospectively repealed beginning in 2018. Existing credits can be used for up to 7 years.	No provision
Municipal Bonds	No provision	No provision
Advanced Refund Municipal Bonds	Repealed	Repealed

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Highway Trust Fund	No provision	No provision
Carried Interest	Imposes a 3-year holding requirement for long-term capital gains in investment partnerships	Imposes a 3-year holding requirement for long-term capital gains in investment partnerships
Work Opportunity Tax Credit (WOTC)	Repealed	No provision
Independent Contractor	No provision	No provision
Paid Leave	No provision	12.5% to 25% tax credit* for employers offering at least 2 weeks paid family and medical leave to employees earning up to \$72,000** *Expires 12/31/2019 **Employee must get at least 50% normal wages
Composite Plans	No provision	No provision