



# THE UNITED COMPANIES

*Planning for the Possibilities®*

## Highlights of the House Tax Plan

In an effort to keep you up to date on the new tax bill provisions, we've highlighted some key points:

### Corporate/Business Provisions

- The Corporate rate declines to 20% and becomes permanent.
- There is a move to a Territorial tax system.
- There is a 10% tax on US companies' high profit foreign subsidiaries.
- Foreign companies operating in U.S. face up to 20% tax on payments made abroad from US operations.
- Interest deductions are capped at 30% of EBITDA – there is an exemption for R.E. firms and small businesses.
- Life insurers lose some tax breaks.
- Banks with assets exceeding \$50bn get no deductions for certain payments to FDIC.
- No tax-exempt bonds for sports stadiums.
- Private universities with assets exceeding \$100,000/student pay 1.4% excise tax on net investment income.
- Pass-throughs
  - Passive owners of pass-throughs get 25% rate
  - Active owners have different standard
    - Presumes 70% of pass-through income is attributable to labor and would be taxable at higher individual income tax rates
    - For professional service firms default rate would be 100% of labor – no benefit from 25% rate
  - Businesses aren't bound to labor rates and can use lawyers/accountants to argue IRS

### Individual Provisions

- The number of individual tax brackets moves from seven to four, namely: 12%, 25%, 35% and 39.6%.
- The Standard deduction increases nearly two-fold for both individual and joint filers.
- For married couples, the 25% rate starts at \$90,000, the 35% rate starts at \$260,000 and the top rate starts at \$1 million.
- For individuals, the above break points are \$45,000, \$200,000 and \$500,000.
- The Estate tax exemption doubles to almost \$10 million then gets repealed altogether in 2024 and beyond.
- There is a property tax cap of \$10,000.
- There are no changes to the 401k rules.
- The bill would repeal the alternative minimum tax (AMT).
- The bill would also repeal itemized deductions for medical expenses, credit for adoption and deduction for student loan interest.
- No expansion of charitable contributions.
- Child tax credit at \$1600 and creates \$300 credit for each parent - \$300 credits expire after 2022.

The Senate will announce its version of the tax reform plan shortly and then MANY details will need to be worked out with key points likely evolving over time. Importantly, the UASI team, in coordination with your tax professionals, is here to help steer you through the process.