

Opening Foray into Tax Reform

October 6, 2017

SUMMARY

The Trump administration's opening foray into tax reform was announced last week. The most significant items of interest include the following:

INDIVIDUALS

Tax Rates

Current: 7 tax brackets with highest marginal rate being 39.6%

Proposed: 3 proposed tax brackets at 12%/25%/35%. Income levels for each tax bracket are not yet known. Framework issued today does allow flexibility in adding a fourth tax bracket.

Standard Deduction

Current: \$12,000 (single filers)

Proposed: \$24,000

Itemized Deduction

Current: State tax, real estate tax, mortgage interest, charitable contributions, tax prep fees, et al

Proposed: Unknown. Possibly retain mortgage interest and charitable contributions

Child Tax Credit

Current: \$1,000 per child under 17

Proposed: "substantially higher"

Personal Exemptions

Current: \$4,050 per person

Proposed: Eliminates personal exemption

Alternative Minimum Tax

Current: AMT typical for most incomes of \$200K to \$1MM

Proposed: Eliminates Alternative Minimum Tax

Estate Tax

Current: Tax rate of 40% on amounts over \$5.45MM at time of death

Proposed: Eliminates the estate tax (aka death tax)

BUSINESSES

Corporate Tax Rate

Current: Tiered rate with highest marginal rate topped at 35%

Proposed: 20%

Small Businesses and other pass-through businesses

Current: Income from business investments taxed at ordinary rates of owners

Proposed: 25% rate from profits of pass-through businesses

Note: Small businesses definition yet to be defined

Alternative Minimum Tax

Current: 20% tax rate on Alternative Minimum Tax Income

Proposed: Eliminates Alternative Minimum Tax

Domestic Productions Activities Deduction ("DPAD")

Current: Available to the extent of qualified production income

Proposed: Eliminates DPAD



R&D Credits

Current: R&D credit regime in effect

Proposed: No change

Given the scope of tax reform, this is just the first step as we await debate and draft language as it comes out of committee in Congress. Stay tuned.

If you have questions about this, please let us know at 415-434-3744 or contact the partner on your account.

Dan Sillin, Partner

Wendy Weiss, Partner

Brad Weisert, Partner