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The House Passes the Tax Cuts and Jobs Act

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The House passed legislation to overhaul the tax code.¹

President Trump and his economic advisers have touted tax reform as the key to opening the gates to economic growth.

The measure approved would decrease the number of individual tax brackets, cut the corporate tax rate from 35 percent to 20 percent; reduces the tax rate on the pass-through businesses such as S corporations and partnerships to 25 percent; nearly double the standard deduction; expands the Child Tax Credit from \$1,000 to \$1,600; and eliminate numerous tax breaks and deductions.

The House bill would eliminate the deduction for state and local income and sales taxes² and cap the property-tax deduction at \$10,000, which is expected to cause millions of taxpayers to pay more under the legislation in high-tax states like New York, New Jersey, and California.³ The home mortgage interest deduction is preserved for existing mortgages and

¹ The Tax Cuts and Jobs Act

² Corporations will still be able to deduct state and local taxes on their profits but the owners of small pass-through businesses, where owners' business income is passed through to their personal income and taxed accordingly, will not. More than 90 percent of small businesses are structured as pass-throughs.

³ Opposing the bill were New York Reps. Dan Donovan, John Faso, Pete King, Elise Stefanik and Lee Zeldin; New Jersey Reps. Rodney Frelinghuysen, Leonard Lance, Frank LoBiondo, and Chris Smith, and California Reps. Darrell Issa, Tom McClintock and Dana Rohrabacher. Tom McClintock and Dana Rohrabacher.

maintains the home mortgage interest deduction for newly purchased homes up to \$500,000.

All income groups would see a tax cut in 2019, but those in the \$20,000 to \$50,000 would see tax increases in the future years.⁴

The Senate Republicans have their own tax bill.⁵ The Senate bill fully repeals the state and local tax deduction, delays the corporate tax cut until 2019, repeals Obama Care's individual mandate, and sunsets tax cuts for individuals after 2025.⁶

Both the House and the Senate bills provide more of a benefit to corporations than to other types of businesses and individuals.

The Senate Republicans intend to vote on their tax plan during the week after the Thanksgiving holiday.⁷ If the Senate passes its bill, then it will be a laborious negotiation between both chambers.

The bill favors corporations and will have a negative impact on the housing market.

⁴ Millions of middle-class taxpayers will ultimately see their taxes go up under this legislation.

⁵ The Senate passage of the bill is by no means guaranteed, and reconciling the Senate version with the one produced in the House will require real and difficult compromises.

⁶ The only permanent tax cuts would go to corporations. Individuals will have temporary tax cuts.

⁷ The Senate bill would eliminate the deduction for all individual state taxes including property tax as well as the income tax; it would delete the individual mandate for failure to have health insurance coverage.