

GMS Flash Alert

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United States—Comparison of House and Senate Tax Reform Bills

On November 9, 2017, U.S. Senate Finance Committee Chairman Orrin Hatch (R-UT) released his “Chairman’s Mark” for tax reform.¹ The document is a detailed description of the proposed legislation, entitled the Tax Cuts and Jobs Act (“the TCJA”).² The draft legislation is the Senate’s response to the House bill, H.R. 1, also entitled the Tax Cuts and Jobs Act, that was made public last week.³

Also on November 9, the House Ways and Means Committee released its markup of H.R. 1, which constitutes the final version of the bill. In the weeks to come, both houses of Congress are expected to vote on their respective bills, and if both are passed, the next step would be for the Joint Committee on Taxation to develop a compromise bill acceptable to both Houses. The President has indicated his expectation that this process would be complete by the end of the year, although it may be difficult for Congress to achieve that ambitious goal.⁴

In this alert, we compare the individual income tax provisions in the House and Senate bills that may impact Global Mobility programs.

WHY THIS MATTERS

The release of the Senate bill is an important step as the U.S. Congress attempts to enact major tax reform. The House and Senate bills have similar goals but differ significantly in their details. Both focus on cutting taxes for businesses and individuals, with attempts at simplification as well. To that end, both bills propose to limit or eliminate numerous deductions, exclusions, and credits while generally reducing tax rates. These changes will need to be taken into account in future tax planning, as they may affect the overall costs of international assignments. If enacted, such changes may necessitate revisions to tax equalization policies and hypothetical tax methodologies. New assignment cost projections and accruals may be advisable.

	House	Senate
Ordinary Income Tax Rate	Reduces brackets to four. 12%; 25%; 35%; 39.6% Significantly expands income level for top tax bracket but adds a phase-out of the 12% bracket for high-income taxpayers	Retains seven bracket structure with some modifications to rates. 10%; 12%; 22.5%; 25%; 32.5%; 35%; 38.5% Significantly expands income level for top tax bracket for Married Filing Joint.
Capital gain / Qualified Dividend rate	Retained. Breakpoints for the 15% and 20% rates are the same as current law, except the breakpoints would be adjusted for inflation after 2017.	Same as House proposal.
3.8% Net Investment Income Tax	Retained	Retained
Standard Deduction	Doubles amount of standard deduction (\$24,400 / \$12,200)	Doubles amount of standard deduction (\$24,000 / \$12,000). Enhanced standard deduction for blind and elderly retained.
Personal Exemption	Repealed	Repealed
Home Mortgage Interest	Home mortgage interest deduction limited to \$500,000 (for new purchases). No deduction for interest paid on mortgage on 2nd home. Repeals deduction on home equity debt.	Home mortgage interest deduction retained at \$1million. Retains deduction for interest paid on mortgage on 2nd home. Repeals deduction on home equity debt.
State and Local Property Tax Deduction	Limited to \$10,000.	No property tax deduction
Charitable Contributions	Generally retained. Limit increased to 60% instead of 50% for cash contributions	Generally retained. Limit increased to 60% instead of 50% for cash contributions
Medical Expense Deduction	Repealed	Retained
Other Itemized Deductions	Eliminate most other itemized deductions such as state and local income tax, state and local sales tax, employee business expenses, non-disaster casualty losses and tax preparation expenses.	Eliminate most other itemized deductions such as state and local income tax, state and local sales tax, employee business expenses, non-disaster casualty losses and tax preparation expenses.
Alimony	Repeals deduction for payor and inclusion of income for recipient	Current treatment remains - payor gets deduction, recipient pays tax
Limitation on Itemized Deductions	Repealed	Repealed
Sale of Residence	Increased time period of ownership and use from 2 out of 5 years to 5 out of 8 years. Available once every 5 years. Phased out for joint filers at \$500,000 AGI.	Increased time period of ownership and use from 2 out of 5 years to 5 out of 8 years. Available once every 5 years. No phase-out.

Child Tax Credit	Increase the credit to \$1,600 per child. Adds a \$300 credit for non-child dependents and a \$300 "family flexibility" credit which sunset after 2023.	Increase the credit to \$1,650 per child. Lifting caps substantially allowing more taxpayers to qualify. Adds a \$500 nonrefundable credit for other dependents.
Earned Income Tax Credit	Retained	Retained
Adoption Credit	Retained via manager's amendment	Retained
Child and Dependent Care Credit	Repealed	Retained
Education Credit	Combined to one credit, allows portion of credit for 5th year	No changes to current education credits
Student Loan Interest Deduction	Repealed	Retained
Individual AMT	Repealed	Repealed
Estate Tax / GST	Increases exemption to about \$11 million. Repeal after 2023.	Increases exemption to about \$11 million. No repeal after 2023.
Exclusion for Employer Provided Moving Expense Reimbursement (other than military)	Repealed	Repealed
Moving Expense Deduction (other than military)	Repealed	Repealed
Exclusion for Employer Provided Housing	Limited to \$50,000 annually (\$25,000 for married individuals filing separate). Subject to phase-out for "highly compensated employees" (i.e. with wages over \$120,000).	Retained
Retirement Savings	Current rules for 401(k) and Roth IRAs generally retained	Eliminates catch-up contributions for individuals with wages of \$500,000 or more

FOOTNOTES:

1 See the text of the [Chairman's Mark](#) of the Senate Tax Cuts and Jobs Act.

2 See the text of the bill, H.R. 1, "[Tax Cuts and Jobs Act](#)."

For the announcement of the bill on the House of Representatives' Committee on Ways and Means website.

3 For discussion and analysis of H.R. 1, see *GMS Flash Alerts* [2017-157](#) (November 2, 2017), [2017-161](#) (November 7, 2017), and [2017-162](#) (November 9, 2017).

4 For discussion of the Unified Framework document, see *GMS Flash Alert* [2017-143](#), September, 28, 2017.

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Join KPMG LLP's Global Mobility Services for a webinar December 12, 2017

KPMG LLP's Global Mobility Services will be hosting a webinar on December 12, 2017 at 2 pm EST to discuss tax reform and global mobility policy considerations. Registration will open soon, so look for the registration link on our Global Mobility homepage at www.kpmg.com/us/globalmobility.

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