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An on-line publication by The Investment Committee

Trump Tax Cuts Part II

The House Republican leadership has recently unveiled its detailed tax reform proposal and, in it, will be many winners and some losers. To begin, tax brackets would change and an example for married joint filers is below:

2017		GOP Plan	
10%	\$0-\$18,650	12%	
15%	\$18,651-\$75,900	\$0-\$90,000	
25%	\$75,901-\$153,100	25%	
28%	\$153,101-\$233,350	\$90,000-\$260,000	
33%	\$233,351-\$416,700	35%	
35%	\$416,700-\$470,000	\$260,001-\$1,000,000	
39.6%	\$470,701+	39.6%	\$1,000,000+
Standard Deduction	\$12,700	Standard Deduction	\$24,000
Personal Exemptions	\$8,100	Personal Exemptions	Eliminated

The alternative minimum tax would be repealed, the child tax credit would increase from \$1,000 to \$1,600 and the death tax exemption would double to \$11.2 million with the tax fully repealed in 2024. The corporate tax would be lowered from 35% to 20%. S-Corps would have a pass through rate of 25%. The state and local income tax deduction would be eliminated, the property tax deduction would be capped at \$10,000 and the mortgage interest deduction would be capped at loans up to \$500,000. Personal exemptions would also be repealed, the head of household filing status would be eliminated and alimony would be paid out in after-tax not pre-tax dollars for couples divorced post enactment.

The message is clear, coastal high tax states would no longer get subsidized for their tax and spending ways. While most Americans would receive a tax cut, individuals with above average incomes who own above average homes and live in high tax states would actually pay more. But that's okay, we've been taught the virtues of envy and class warfare by the same high tax politicians for years so they should be happy we are punishing the well off. Err, wait a minute, apparently they don't like it when it is targeted against their states-so much for paying their fair share.

In high tax states, those with incomes above \$100,000 are more likely to have state and property tax bills that would exceed the higher proposed \$24,000 standard deduction. Without the ability to deduct state income taxes, some of these individuals would pay more.

Unfortunately, families who have a large number of children, single parent homes and/or very high medical bills would likely pay more as well.

Take heart proposed higher tax rate payers, the odds of this proposal passing into law unchanged is beyond unlikely. There is already pushback from the few Republican Congressmen who represent New York, New Jersey, California and Illinois. They want concessions that will take the sting out of any potential negative effects on their constituents. The Senate (at the time of this writing) has not yet unveiled its proposal, which will certainly have modifications. The House plan is a good written draft that should help millions of Americans achieve lower taxes for 2018, if it can pass.

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