

**CACI Membership-wide Alert: 12/18/2017**

**Tax Changes Are Coming THIS WEEK: Are You In The Know?**

**CACI Members:**

**Tax changes are almost across the finish line in Congress! Here's what you need to know:**

The U.S. House & Senate recently passed versions of tax reform meant to make our personal and business taxes less complex and better for our economy. Late last week, Senators and Representatives appointed to a conference committee reached compromise on legislative language, blending provisions from the House and Senate bills into one final bill.

**Final passage of the bill is expected tomorrow in the House and as early as tomorrow afternoon or Wednesday morning in the Senate.** Because Congressional leadership used a budgetary process known as reconciliation, Congress will only need a simple majority for final passage, and tax reform is expected to be signed by President Trump before the end of this week.

**Below is a list of items important to CACI member companies & individuals, as well as additional energy provisions included in H.R. 1, the Tax Cuts & Jobs Act.**

[Click here to read the full bill text](#) or to read the Joint Committee on Taxation's [\(JCT\) score](#). To follow real-time votes, check the [schedule here](#).

## **From the House & Senate Conference Committee:**

### **“For job creators of all sizes, the Tax Cuts and Jobs Act:”**

- **Lowers the corporate tax rate to 21% (beginning Jan. 1, 2018)** – down from 35%, which today is the highest in the industrialized world – the largest reduction in the U.S. corporate tax rate in our nation's history.
- **Delivers significant tax relief to Main Street job creators** by:
  - **Offering a first-ever 20% tax deduction that applies to the first \$315,000 of joint income** earned by all businesses organized as S corporations, partnerships, LLCs, and sole proprietorships. For Main Street job creators with income above this level, the bill generally provides a deduction for up to 20% on business profits – reducing their effective marginal tax rate to no more than 29.6%.
  - **Establishing strong safeguards** so that wage income does not receive the lower marginal effective tax rates on business income – helping to ensure that Main Street tax relief goes to the local job creators it was designed to help most.
- **Allows businesses to immediately write off the full cost of new equipment** to improve operations and enhance the skills of their workers – unleashing growth of jobs, productivity, and paychecks.

- **Protects the ability of small businesses to write off interest on loans**, helping these Main Street entrepreneurs start or expand a business, hire workers, and increase paychecks.
- **Preserves important elements of the existing business tax system**, including:
  - **Retaining the low-income housing tax credit** that encourages businesses to invest in affordable housing so families, individuals, and seniors can find a safe and comfortable place to call home.
  - **Preserving the Research & Development Tax Credit** that encourages our businesses and workers to develop cutting-edge “Made in America” products and services.
  - **Retaining the tax-preferred status of private-activity bonds** that are used to finance valuable infrastructure projects.
- **Eliminates the Corporate Alternative Minimum Tax**, thereby lowering taxes and eliminating confusion and uncertainty so American job creators can focus on growing their business and hiring more workers, rather than on burdensome paperwork.
- **Modernizes our international tax system** so America’s global businesses will no longer be held back by an outdated “worldwide” tax system that results in double taxation for many of our nation’s job creators.
- **Makes it easier for American businesses to bring home foreign earnings** to invest in growing jobs and paychecks in our local communities.
- **Prevents American jobs, headquarters, and research from moving overseas** by eliminating incentives that now reward companies for shifting jobs, profits, and manufacturing plants abroad.

## “**For individuals and families, the Tax Cuts and Jobs Act:**”

- **Lowers individual taxes and sets the rates at 0%, 10%, 12%, 22%, 24%, 32%, 35%, and 37% so people** can keep more of their hard-earned money.
- **Significantly increases the standard deduction** to protect roughly double the amount of what you earn each year from taxes – from \$6,500 and \$13,000 under current law to \$12,000 and \$24,000 for individuals and married couples, respectively.
- **Continues to allow people to write off the cost of state and local taxes** – up to \$10,000. Gives individuals and families the ability to deduct property taxes and income – or sales – taxes to best fit their unique circumstances.
- **Takes action to support more American families** by:
  - **Expanding the Child Tax Credit from \$1,000 to \$2,000** for single filers and married couples to help parents with the cost of raising children. The tax credit is fully refundable up to \$1,400 and begins to phase-out for families making over \$400,000. Parents must provide a child’s valid Social Security Number in order to receive this credit.
  - **Preserving the Child and Dependent Care Tax Credit** to help families care for their children and older dependents such as a disabled grandparent who may need additional support.
  - **Preserving the Adoption Tax Credit** so parents can continue to receive additional tax relief as they open their hearts and homes to an adopted child.
- **Preserves the mortgage interest deduction** – providing tax relief to current and aspiring homeowners.

- For all homeowners with existing mortgages that were taken out to buy a home, there will be no change to the current mortgage interest deduction.
- For homeowners with new mortgages on a first or second home, the home mortgage interest deduction will be available up to \$750,000.
- **Provides relief for Americans with expensive medical bills** by expanding the medical expense deduction for 2017 and 2018 for medical expenses exceeding 7.5 percent of adjusted gross income, and rising to 10 percent beginning in 2019.
- **Continues and expands the deduction for charitable contributions** so people can continue to donate to their local church, charity, or community organization.
- **Eliminates Obamacare’s individual mandate penalty tax** – providing families with much-needed relief and flexibility to buy the health care that’s right for them if they choose.
- **Maintains the Earned Income Tax Credit** to provide important tax relief for low-income Americans working to build better lives for themselves.
- **Improves savings vehicles for education** by allowing families to use 529 accounts to save for elementary, secondary and higher education.
- **Provides support for graduate students** by continuing to exempt the value of reduced tuition from taxes.
- **Retains popular retirement savings options** such as 401(k)s and Individual Retirement Account
- **Increases the exemption amount from the Alternative Minimum Tax (AMT)** to reduce the complexity and tax burden for millions of Americans.
- **Provides immediate relief from the Death Tax** by doubling the amount of the current exemption to reduce uncertainty and costs for many family-owned farms and businesses when they pass down their life’s work to the next generation.

## “For greater American energy security and economic growth, the Tax Cuts and Jobs Act:”

- **Establishes an environmentally responsible oil and gas program in the non-wilderness 1002 Area of the Arctic National Wildlife Refuge (ANWR).** Congress specifically set aside the 1.57-million acre 1002 Area for potential future development. Two lease sales will be held over the next decade and surface development will be limited to 2,000 federal acres – just one ten-thousandth of all of ANWR. [Click HERE to see the Republican Policy Committee’s white paper.](#)
- **Significantly boosts American energy production.** Responsible development in the 1002 Area will raise tens of billions of dollars for deficit reduction in the decades to come, while creating thousands of new jobs, reducing our dependence on foreign oil, and helping to keep energy affordable for American families and businesses.
- **Provides a temporary increase in offshore revenue sharing** for the Gulf Coast in 2020 and 2021, allowing those states to invest in priorities such as coastal restoration and hurricane protection.”

**\*NOTABLY\*\*:** The conference report does not include several House provisions relating to energy tax credits.

- The House provisions that were not included in the conference bill include:
  - Removing inflation adjustment for the production tax credit (PTC);
  - Codifying a strict continuous construction requirement for facilities intended to obtain the PTC or ITC;
  - Removing phase outs for the 10% solar investment tax credit (ITC);
  - Restoring the ITC for other technologies like fuel cells;
  - Repealing the enhanced oil recovery credit and the oil and gas marginal wells production credit; and
  - Modifying the credit for production from advanced nuclear power facilities and allowing transfer of the tax credit to entities involved in nuclear facility construction.
  
- **The Base Erosion Anti-Abuse Tax (BEAT) provision in the conference report has been tweaked to avoid unintentionally penalizing energy tax credits.**
  - Under the version of BEAT in the Senate version of H.R. 1, the tax would apply to companies whose tax liability was less than 10 percent of their taxable income. Renewable energy companies were particularly concerned that wind and solar credits could reduce a corporation's tax liability too far, triggering BEAT provisions.
  
  - In the conference report, energy companies can offset up to 80 percent of the credits when calculating their tax liability, lowering the likelihood of triggering BEAT.