



## Burr Alert: Tax Cuts and Jobs Act

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Yesterday, the Ways and Means Committee Chair, Kevin Brady (R-Tex), released the text of a bill titled "Tax Cuts and Jobs Act" that would make many changes in the Internal Revenue Code.

In terms of items that affect individuals, here are some of the major proposed changes:

- There are 4 tax brackets: 12%, 25%, 35% and 39.6%. For married individuals filing jointly, there would effectively be a 0% rate on the first \$24,000; from \$24,000 - 90,000 would be subject to the 12% rate; from \$90,001 - 260,000 would be subject to the 25% rate, above \$260,000 - \$1,000,000 would be subject to 35% rate, and above \$1,000,000 would be subject to the 39.6% rate. If a married couple had wages of \$260,000 and no deductions, that translates into an overall tax rate of 19.392% of their gross income or 22.585% of their taxable income (\$260,000 of gross income minus \$24,000 standard deduction equals \$236,000 of taxable income). For "high income" taxpayers there is a mechanism that is designed to phase out the benefit of the 12% tax bracket by, essentially taxing the amount that would be subject to the 12% rate at the 39.65% rate instead. There is still preferential taxation of net long-term capital gains.
- There is what appears to be a convoluted mechanism that is designed to tax at no more than 25% that portion of the income of "pass-through" entities (partnerships, LLCs, S corporations) which is "business income." So much for tax simplification. Pass-through entities in personal service businesses (doctors, lawyers, accountants, engineers, etc.) are restricted, if not precluded, from the benefits of this provision.

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- The standard deduction for a married couple filing jointly is increased to \$24,000 (for 2017 the standard deduction for marrieds filing jointly is \$12,700) and would be indexed for inflation.

Download the full article, "Burr Alert: Tax Cuts and Jobs Act" written by Bruce A. Rawls.