House vs. Senate Tax Bills: What You Need to Know

Are you overwhelmed by the recent headlines and complexity of the tax reform bills?

Now that the Senate has passed their tax rewrite, the two chambers are working together to produce a version that can be approved by Congress as a whole.

Altogether, many aspects of the House and Senate bills would change the U.S. tax code in large and small ways. Still, they each have many differences that must be comprised and solved so that a single legislation can be voted on in each chamber.

Here are some of the key details of each bill:

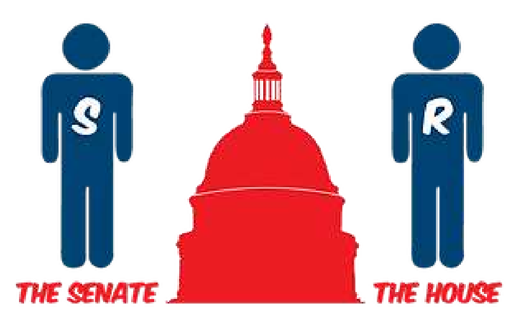
BIG IDEAS

Both the House and Senate bill lowers middle class income tax, but their use of slower-growing inflation measures will actually push more people into higher tax brackets.

The bills also create a territorial system, only taxing income earned within the borders of the U.S.

Finally, both bills also reduce corporate income tax to 20%.

KEY DIFFERENCES



In order to favor higher standard deductions, the House plan reduces the seven-bracket system to four and eliminates many itemized deductions, like medical and classroom expenses, and state and local taxes.

On the other hand, the Senate plan removes individual tax provisions meant to benefit the middle class (like the doubled child tax credit and lower tax rates per bracket).

Both bills double current estate tax exemption for individuals to $11 million, but unlike the Senate, the House plans to repeal this in 2024.

However, both plans increase the national deficit over the next 10 years, with the House version causing a $1.08 trillion increase (double the Senate plan).

IMPACT FOR POOR AND WORKING-CLASS AMERICANS

Those on the lower end of the income spectrum might be able to take advantage of the doubling of standard deduction, but if they use itemized deductions, they may become worse off -- and as the Senate removes the individual mandate penalty, lower- and moderate-income households receive a disproportional impact.

IMPACT ON THE WEALTHY

Both bills feature elements that would disproportionately benefit the wealthy, such as the elimination of the alternative minimum tax, the creation of lower rates for pass-throughs, and the exemption or elimination of estate tax.

The highest 20% of taxpayers would receive a $4,860 tax cut in 2018, or 1.9% of their income. The top 1% would save $37,100 (2.4% of their income), and the top 0.1% would save $174,620 (2.5% of their income).

Click here for a table summarizing both tax plans.

Sources: Politifact, CNN Money

Looking Back:

Encore's 3rd Annual Evening of Excellence

After another brutal busy season, Encore Partners continues to thrive and excel – and what better way to celebrate than with our 3rd annual Evening of Excellence!

It was indeed the evening of celebration of our excellence and success with those who have been on this journey with us. Our growth is hand in hand with theirs, and we wish nothing but to continue to flourish with them. We are and always will be in the business of helping yours.

Here is to our unstoppable journey towards excellence together!

Click here to see the whole gallery!

A full blog article for the event highlights is here.

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