



The House Tax Bill Provisions

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The President and the press have named it 'the one big, beautiful bill,' though the legislation that recently passed the U.S. House of Representatives is more formerly known as the Tax Cuts and Jobs Act. One might add 'redux' to the title because its primary aim is to prevent the sunset of many tax-related provisions of the 2017 Tax Cuts and Jobs Act.

The new bill maintains the current tax brackets and tax rates. It would make the expiring standard deduction levels permanent and go further to temporarily raise the standard deduction by \$2,000 for joint filers (\$1,500 for head of household filers) through 2028. Seniors over age 65 would receive an additional \$4,000 standard deduction amount for tax years 2025 through 2028. The bill would make the \$750,000 limitation on deducting home mortgage interest permanent.

But there are a few differences in notes. For starters, the new bill would increase the allowable federal borrowing and reduce federal tax revenue by \$4 trillion, which would result in an estimated \$4 trillion increase in the debt ceiling.

Another is a doubling of the (already generous) estate tax exemption, to over \$15 million per person next year, and gradually phase out the estate tax altogether in increments from 2018 to 2024. The state and local tax deduction cap would be made permanent, but at a higher threshold (\$30,000, up from \$10,000 currently), but this would be phased down for single filers with \$200,000 of adjustable gross income; \$400,000 for joint filers.

Tip income would be deductible (not tax exempt) for years 2025 through 2028 for individuals in traditionally tipped industries. And overtime compensation would also be deductible for those same years.

Another provision is called The Johnson Amendment, named after the current Speaker of the House. It would end the (hardly-ever-enforced) IRS provision that churches would lose their nonprofit status if they made political statements to their parishioners. If the new bill is passed, church pastors would be permitted to advise their congregations on how to vote in political campaigns in the ordinary course of religious services and activities without endangering their tax-exempt status.

The bill would allow some provisions to sunset, notably the bonus depreciation and research and development expensing tax breaks for corporations. It would repeal the tax subsidies for purchases of electric vehicles and residential energy efficiency expenditures, and generally eliminate clean electricity tax credits for hydrogen, nuclear, solar and wind investments.

The overall impact, as calculated by the Tax Foundation, would be to increase the Gross National Product by 0.05% and cause wages to shrink by 0.1% in aggregate. The Foundation is more optimistic about the federal deficit than other sources; it estimates that the total budget deficit, over the next ten years, will rise by only \$3.3 trillion.

Of course, this bill is not yet law. It is heading to the Senate, which may have its own ideas about some of these provisions.

Source:

<https://taxfoundation.org/research/all/federal/big-beautiful-bill-house-gop-tax-plan/>

<https://independentsector.org/blog/so-whats-in-the-house-tax-reform-bill/>

<https://www.americanactionforum.org/insight/the-house-ways-and-means-committees-tax-bill/>

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Jeffrey Broadhurst
MBA, CFA, CFP
Broadhurst Financial Advisors, Inc.



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Our physical and mail address:

1911 West Point Pike
P.O. Box 301
West Point, PA 19486-0301

Contact us:

Phone: (215) 325-1595
Email: jeff@broadhurstfinancial.com