Policy Highlights

The Tax Cuts and Jobs Act provides fiscally responsible middle-class tax relief by cutting tax rates across the board, reducing the tax burden on American job creators and modernizing our tax system. Under this proposal, a typical family of four earning the median family income (around $73,000) will see its taxes cut by nearly $1,500. The bill will also reduce the tax burden on small businesses and put American companies on a level playing field with their foreign competitors in order to grow the economy and create more jobs here at home.

Combined, all of this will mean bigger paychecks for middle-class workers and families, more American jobs and a stronger U.S. economy.

RELIEF FOR AMERICAN WORKERS AND FAMILIES

The Tax Cuts and Jobs Act:

▶ Lowers individual tax rates for low- and middle-income Americans by effectively expanding the zero tax bracket and maintaining a 10 percent bracket, allowing hardworking taxpayers to keep more of their hard-earned money, make ends meet, and save for retirement. The bill includes a reformed rate structure that targets tax relief to the middle class while maintaining the existing tax distribution, and a 38.5 percent bracket for high-income earners.

▶ Nearly doubles the standard deduction to reduce or eliminate the federal income tax burden for tens of millions of American families. The standard deduction will increase from $6,350 to $12,000 for individuals and from $12,700 to $24,000 for married couples. For single parents, the standard deduction will increase from $9,300 to $18,000.

▶ Recognizes the unique challenges faced by parents with young children by:
  • Expanding the child tax credit from $1,000 to $1,650 and allowing many more parents to claim the credit by substantially lifting existing caps;
  • Preserving the child and dependent care tax credit to help working parents care for their children and older dependents – such as an aging grandparent – who need support;
  • Preserving the adoption tax credit to help families with the high costs of adopting children; and
  • Allowing parents to more effectively save for the education costs of unborn children.

▶ Preserves the deduction for charitable contributions, continuing a long recognition of the importance of private philanthropy for the churches and community organizations that daily provide aid and assistance to those in need.

▶ Protects the home mortgage interest deduction for existing mortgages and maintains the deduction for newly purchased homes up to $1 million. This incentive for homeownership provides tax relief to current and aspiring homeowners.

▶ Continues popular retirement savings programs such as 401(k)s and Individual Retirement Accounts, to help Americans build their retirement nest eggs and prepare for the future.
RELIEF FOR AMERICAN WORKERS AND FAMILIES (continued)

▶ Preserves the earned income tax credit to provide tax relief to low-income Americans working to build better lives for themselves.

▶ Preserves additional important elements of the existing individual tax system, including:
  • Deduction for medical expenses
  • Enhanced standard deduction for the blind and elderly
  • Education relief for graduate students

▶ Repeals the alternative minimum tax (AMT) to simplify the tax code and eliminate uncertainty for millions of Americans who are required to calculate their taxes twice each year.

▶ Provides relief from the death tax by doubling the current exemption. This will reduce uncertainty and costs for family-owned farms and businesses by making it less likely that Washington will impose an unnecessary layer of taxation on Americans who want to pass on their life’s work to the next generation.

RELIEF FOR JOB CREATORS OF ALL SIZES

▶ Permanently lowers the corporate tax rate to 20 percent so American companies no longer have to face the highest tax rate in the industrialized world, which will allow them to better compete in the global marketplace, create more jobs and increase wages.

▶ Substantially lowers the tax burden on Main Street job creators through:
  • A simple and easy-to-administer deduction for pass-through businesses of all sizes, allowing more small businesses to grow, invest, hire new workers and increase wages while also preventing abuse of the reformed system;
  • Enhanced Section 179 expensing to promote business investment and growth; and
  • Enhanced cash accounting, allowing more businesses to use the simple cash-basis accounting method.

▶ Full and immediate expensing of new equipment, which encourages growth and increases investment, productivity and wages.

▶ Protects the ability of small businesses to deduct interest on loans that allows Main Street employers to expand, invest, and hire new workers.

▶ Preserves important elements of the existing business tax system, including:
  • Low-income housing credit to continue encouraging businesses to invest in affordable housing and provide individuals and families with expanded opportunities.
  • Research and development tax credit, which enhances investments in American products, technology and innovations.

▶ Permanently modernizes our outdated international tax system by eliminating the antiquated “worldwide” system, in order to eliminate double taxation, enhance the competitiveness of American companies, and bring business and investment back to the United States.

▶ Eliminates the “lock-out effect” by making it simpler and less onerous for American multinationals to bring foreign earnings back to America for investment and growth here at home.

▶ Makes the United States a better place to do business by eliminating incentives for companies to shift jobs, profits and intellectual property overseas, and by creating incentives for companies to both locate in America and bring economic activity back to America.