

U.S. House of Representatives
COMMITTEE ON WAYS AND MEANS



The **TAX CUTS & JOBS ACT**

POLICY HIGHLIGHTS

More Jobs. Fairer Taxes. Bigger Paychecks.

Individuals and Families

- ▶ **Lowers individual tax rates for low- and middle-income Americans to Zero, 12%, 25%, and 35%** so people can keep more of the money they earn throughout their lives, and continues to maintain 39.6% for high-income Americans.
- ▶ **Significantly increases the standard deduction** to protect roughly double the amount of what you earn each year from taxes – from \$6,350 to \$12,000 for individuals and \$12,700 to \$24,000 for married couples.
- ▶ **Eliminates special-interest deductions that increase rates and complicate Americans' taxes** – so an individual or family can file their taxes on a form as simple as a postcard.
- ▶ **Takes action to support American families by:**
 - **Establishing a new Family Credit, which includes expanding the Child Tax Credit** from \$1,000 to \$1,600 to help parents with the cost of raising children, and providing a credit of \$300 for each parent and non-child dependent to help all families with their everyday expenses.
 - **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.
- ▶ **Preserves the Earned Income Tax Credit** to provide important tax relief for low-income Americans working to build better lives for themselves.
- ▶ **Streamlines higher education benefits** to help families save for and better afford college tuition and other education expenses.
- ▶ **Continues the deduction for charitable contributions** so people can continue to donate to their local church, charity, or community organization.
- ▶ **Preserves the home mortgage interest deduction** for existing mortgages and maintains the home mortgage interest deduction for newly purchased homes up to \$500,000 – providing tax relief to current and aspiring homeowners.
- ▶ **Continues to allow people to write off the cost of state and local property taxes** up to \$10,000.
- ▶ **Retains popular retirement savings options** such as 401(k)s and Individual Retirement Accounts so Americans can continue to save for their future.
- ▶ **Repeals the Alternative Minimum Tax** so millions of individuals and families will no longer have to worry about calculating their taxes twice each year and pay the higher amount.
- ▶ **Provides immediate relief from the Death Tax by doubling the exemption and repealing the Death Tax after six years.** Family-owned farms and businesses will no longer have to worry about double or triple taxation from Washington when they pass down their life's work to the next generation.

Job Creators of All Sizes

- ▶ **Lowers the corporate tax rate to 20%** – 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.
- ▶ **Reduces the tax rate on the hard-earned business income of Main Street job creators to no more than 25%** – the lowest tax rate on small business income since World War II.
- ▶ **Establishes strong safeguards to distinguish between individual wage income and “pass-through” business income** so 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 the growth of jobs, productivity, and paychecks.
- ▶ **Protects the ability of small businesses to write off the interest on loans** that help these Main Street entrepreneurs start or expand a business, hire workers, and increase paychecks.
- ▶ **Retains 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.
- ▶ **Preserves the Research & Development Tax Credit** – encouraging our businesses and workers to develop cutting-edge “Made in America” products and services.
- ▶ **Strengthens accountability rules for tax-exempt organizations** to ensure the churches, charities, foundations, and other organizations receiving tax-exempt status are focused on helping people and communities in need.
- ▶ **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 and far less costly for American businesses to bring home foreign earnings** to invest in creating jobs and increasing 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.



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The **TAX CUTS & JOBS ACT**

CHARGE & RESPONSE

Americans have been waiting for years for Washington to fix this broken tax code because they know it will lead to better jobs, more take-home pay, and a stronger economy.

The *Tax Cuts and Jobs Act* is our answer to the American people. It will deliver much-needed tax relief to millions of families, help our workers and job creators compete and win here at home and around the world, and make the tax code simpler and fairer for all Americans. It will fuel economic growth – leading to more jobs, fairer taxes, and bigger paychecks for generations to come.

Below are responses to charges you will hear leveled against the bill by those who are really defending the broken status quo – the current tax code is littered with trillions of dollars in special-interest tax breaks that have stifled job, paycheck, and economic growth for too long:

Individuals and Families

TAX CUTS AND BRACKETS

“This is just a tax cut for the wealthiest Americans.”

- ▶ No. The *Tax Cuts and Jobs Act* delivers tax relief at every income level – while maintaining the top 39.6% tax rate on high-income earners. It lowers tax rates on low- and middle-income Americans and significantly increases the standard deduction, which means hardworking Americans can immediately take home more of their paychecks.

“80% of the tax breaks go to the wealthiest 1% of Americans.”

- ▶ That’s just not true. The reality is, the *Tax Cuts and Jobs Act* is specifically focused on delivering more jobs, fairer taxes, and bigger paychecks to hardworking Americans – not Washington special interests.
- ▶ Under this bill, the highest earners will continue to face the highest tax rates and pay the most taxes – in both dollar and percentage terms – of any Americans. In fact, our legislation eliminates dozens of costly and complex loopholes and special deals that have historically benefitted wealthier Americans the most – precisely so we can reduce tax burdens at every income level.

“This bill actually raises taxes on the poor.”

- ▶ No – this bill delivers crucial tax relief for low-income Americans. The *Tax Cuts and Jobs Act* significantly lowers the tax burden for low-income Americans by roughly doubling the size of the standard deduction. That means more of each paycheck will be protected from taxes – from \$6,350 to \$12,000 for individuals and \$12,700 to \$24,000 for married couples each year.
- ▶ The *Tax Cuts and Jobs Act* also protects and improves tax benefits that help low-income workers and families, including the Earned Income Tax Credit (EITC), a new Family Credit which includes a larger Child Tax Credit, and the Child & Dependent Care Tax Credit.

“This bill is a direct attack on the middle-class.”

- ▶ The *Tax Cuts and Jobs Act* is a direct and immediate boost for middle-income Americans who have been struggling to get by, let alone get ahead, under today’s broken tax code. It reduces the tax rates for low- and middle-income Americans, and roughly doubles the standard deduction – protecting up to \$24,000 of your family’s take-home pay each year from taxes. It delivers much-needed support to American families who today are struggling to keep up with the rising costs of child care, higher education, and looking after their loved ones.
- ▶ With this legislation, middle-income families will get to keep more of the money they earn for what matters to them rather than sending it to the Internal Revenue Service. For example, a typical family of four earning \$59,000 (the median household income) will receive a **\$1,182 tax cut**.
- ▶ Not to mention – because of the historic tax relief for our businesses – this bill will create jobs and increase paychecks so Americans can finally earn a raise after a decade of stagnant wage growth. That’s real money that middle-income Americans can save, spend, and invest as they see fit.

“You promised tax cuts for all Americans, but wealthier Americans won’t see a tax cut at all. They may even see a tax increase.”

- ▶ Americans at every income level will receive tax relief with the *Tax Cuts and Jobs Act*, and individual tax rates are just one part of that equation. The wealthiest Americans, who will continue to pay the top individual tax rate, will benefit from a significantly larger standard deduction, which will protect nearly double the amount of their paycheck from taxes.
- ▶ They will also benefit from dramatically lower tax rates at lower income levels because more of the money they earn will be taxed at a lower rate than it is under today’s tax code. Furthermore, we’re eliminating taxes that punish the success of hardworking families, such as the Alternative Minimum Tax.
- ▶ Additionally, hardworking small business owners will also see a benefit through the reduced rate on pass-through business income.

FAMILY-FOCUSED PROVISIONS

“By eliminating the personal exemption, this legislation increases taxes on families.”

- ▶ The *Tax Cuts and Jobs Act* takes several bold steps to deliver relief for families. First, our legislation helps families keep more of their paychecks by roughly doubling the size of the standard deduction and lowering tax rates.
- ▶ This bill establishes a new Family Credit – which includes expanding the Child Tax Credit from \$1,000 to \$1,600 to help parents with the cost of raising children, and providing a credit of \$300 for each parent and non-child dependent to help all families with their everyday expenses.
- ▶ It also preserves the Child & Dependent Care Tax Credit so families don’t have to choose between earning a paycheck and taking care of their children and older dependents such as a disabled grandparent who may need additional support.
- ▶ Our legislation also simplifies the tax code so that nine out of ten Americans will be able to file their taxes on a form so simple it could fit on a postcard – saving families money as well as precious time and aggravation that today accompanies tax time.

“This eliminates critical education tax benefits, making it more difficult for Americans to afford the cost of education.”

- ▶ Quite the opposite. The *Tax Cuts and Jobs Act* makes it easier for families to use tax benefits toward the cost of education. Under today’s broken tax code, there are more than a dozen overlapping tax benefits relating to education – all with their own rules and guidelines.
- ▶ By simplifying and enhancing these benefits into a more effective higher education tax credit, our legislation will help more families offset the cost of both college and vocational training programs.

“This makes it harder and more expensive for families to adopt children.”

- ▶ The *Tax Cuts and Jobs Act* is focused on helping Americans raise a family throughout their lives. Our bill lowers the tax rates and increases the standard deduction so people can immediately keep more of their paychecks – instead of having to rely on a myriad of provisions that many will never use and others may use only once in their lifetime. This tax relief will give families the flexibility to use their paychecks for what matters most to them every year – including adopting children.

HOMEOWNERSHIP

“Your bill changes the mortgage interest deduction – making it harder for Americans to buy a home and invest in their local communities.”

- ▶ That’s not so. After receiving feedback from families across the country, we made sure to maintain the mortgage interest deduction in the *Tax Cuts and Jobs Act*. Our legislation also allows Americans to deduct state and local property taxes.
- ▶ Combined with policies to create jobs, grow paychecks, and strengthen our economy – by far the biggest driver of a strong housing market – maintaining this tax benefit will help more Americans, especially middle-class Americans, achieve the dream of homeownership.

CHARITABLE GIVING

“Because significantly fewer taxpayers will itemize, fewer Americans will make charitable donations.”

- ▶ The *Tax Cuts and Jobs Act* will continue to preserve the itemized deduction for charitable contributions so that Americans can continue to give back to their local church, charity, or community organization. And by promoting an overall stronger economy – which is by far the biggest driver of charitable giving – our legislation will grow Americans’ paychecks, helping them donate more of their hard-earned money to causes they believe in.

RETIREMENT

“This legislation will raise taxes on Americans’ retirement.”

- ▶ That’s not so. Our bill retains the popular retirement savings options – such as 401(k)s and Individual Retirement Accounts – as Americans know them today.

Simplicity and Fairness

STATE AND LOCAL TAX DEDUCTION

“Changing the state and local tax deduction will raise taxes significantly on middle-class families.”

- ▶ The *Tax Cuts and Jobs Act* is focused entirely on helping low- and middle-income Americans get ahead – instead of just getting by under today’s broken tax code.
- ▶ By eliminating costly deductions that artificially raise taxes, our legislation is able to reduce the tax burden for Americans of all walks of life – regardless of where they live or whether they itemize their taxes.
- ▶ Our bill lowers tax rates, roughly doubles the standard deduction, allows families to deduct state and local property taxes, repeals the Alternative Minimum Tax, and enhances tax benefits to help families buy a home, raise children, and send their kids to college.

DEATH TAX

“Repealing the Death Tax is just a massive giveaway for the wealthiest Americans.”

- ▶ Not so. The Death Tax impacts small businesses and farms throughout the nation owned by people who have worked their entire life to build a successful company and create jobs. These families should not have to fear double or even triple taxation from Washington when they pass down their life’s work to the next generation. That’s why our legislation immediately delivers relief from this tax by doubling the earnings exemption and fully repeals it after six years.

TAX EXEMPT ORGANIZATIONS

“This legislation takes away tax benefits that help charities serve their communities.”

- ▶ The *Tax Cuts and Jobs Act* preserves the tax-exempt status of charitable organizations. It includes commonsense reforms to ensure organizations with tax-exempt status are operating as a charity, foundation, or non-profit focused on helping the American people – not as a for-profit business looking to pad their bottom line, as some tax-exempt organizations currently do under today’s broken tax code. For example, our legislation will prevent a private art collector from receiving the same tax benefits as a not-for-profit public art gallery.

SPECIFIC DEDUCTIONS

“Eliminating the Medical Expense Deduction and the Property Casualty Loss Deduction will be a financial burden for millions of Americans.”

- ▶ The *Tax Cuts and Jobs Act* is focused on helping Americans throughout their lives. Our bill lowers the tax rates and increases the standard deduction so people can immediately keep more of their paychecks – instead of having to rely on a myriad of provisions that many will never use and others may use only once in their lifetime. This tax relief will give families the flexibility to use their paychecks for what matters most to them every year.

Small Business

“Lowering the tax rate for pass-through businesses creates a massive loophole that wealthy Americans will use to avoid paying their fair share of taxes.”

- ▶ The *Tax Cuts and Jobs Act* includes specific safeguards to prevent tax avoidance and help ensure taxpayers of all income levels play by the rules under this new fairer, simpler tax system. Our legislation will ensure this much-needed tax relief goes to the local job creators it’s designed to help by distinguishing between the individual wage income of NBA All-Star Stephen Curry and the pass-through business income of Steve’s Bike Shop.

“By lowering the corporate rate to 20%, while only lowering the pass-through rate to 25%, this favors big corporations over Main Street businesses.”

- ▶ The *Tax Cuts and Jobs Act* reduces the tax burdens on businesses of all sizes – from local mom and pop shops to major manufacturers and job creators – delivering the lowest rates on pass-through business income since before World War II.
- ▶ Our legislation also allows small businesses to write off the interest on loans that help these Main Street entrepreneurs start a business, hire workers, and increase paychecks; ends the death tax and other generation-skipping taxes that can devastate family-owned business; and simplifies the tax code so small businesses can focus more time and money on investing in their workers and communities – not on navigating the current 70,000 pages of tax laws.

“The new pass-through formulas pick winners and losers by favoring certain industries over others.”

- ▶ The *Tax Cuts and Jobs Act* reduces the tax burden on all pass-through businesses – regardless of their structure or sector. To further help America’s Main Street businesses and workers, our legislation provides additional tax relief for job creators when they make capital investments that truly drive the growth of jobs, paychecks, and our economy.

Corporate and International

“Tax reform is just about putting more money in the pockets of big business.”

- ▶ Not at all. Tax reform is about helping hardworking Americans and Main Street job creators get ahead – instead of being left behind or just getting by under today’s broken tax code. The *Tax Cuts and Jobs Act* will help our nation’s local job creators start and grow a business, hire workers, increase paychecks, and invest in our local communities.

“This gives corporations a tax-free holiday to increase their profits – not hire more workers, increase paychecks, or invest in our economy.”

- ▶ The *Tax Cuts and Jobs Act* includes a transition rule that allows America’s global businesses to bring home foreign earnings at a one-time low rate. This one-time relief will make it far less costly for businesses to invest their foreign earnings in creating jobs and increasing paychecks at home.

“By taxing foreign earnings, this legislation penalizes America’s global businesses.”

- ▶ First, this legislation does not impose taxes on routine foreign operations. In fact, the *Tax Cuts and Jobs Act* modernizes our international tax system and levels the playing field for America’s global businesses so they can compete and win around the world.
- ▶ What this legislation does is address the perverse tax incentives that today encourage American job creators to move overseas – hurting our workers and our economy here at home. The legislation includes tough but fair rules to end the incentives that now reward companies for shifting jobs, profits, and manufacturing headquarters overseas. This will help our workers prosper and our economy grow.

Effect on the Deficit

“This is fiscally irresponsible and will add trillions to our deficit.”

- ▶ The *Tax Cuts and Jobs Act* meets all of the requirements set by the budget that recently passed both the House and Senate. It does so by eliminating billions of dollars in unfair special-interest tax breaks that have stifled economic growth. And by helping businesses plan for the future and make long-term investments here at home, this legislation will promote even faster growth – and additional revenues – in the years ahead.

“Dynamic scoring is not based in reality.”

- ▶ Static scoring assumes that the size of the economy is fixed no matter what policies change – an assumption that is false by definition. Instead, dynamic scoring acknowledges the fact that the economy can change. This reality-based scoring has been practiced and honed by estimators for years. In fact, the non-partisan Joint Committee on Taxation has been producing dynamic estimates since 2003.
- ▶ By rewarding work and investment, pro-growth tax reform will stimulate the economy – creating jobs, increasing paychecks, and promoting new investments. That’s real growth – real hours worked, real earnings, real revenue – that will ultimately help pay for much-needed tax relief over the long term. Ignoring that growth, as static scoring would do, is really what isn’t based in reality.

Process

“This legislation was drafted behind closed doors – without input from the public – and is being rushed through Congress.”

- ▶ House Republicans have been working on legislation to overhaul our nation’s broken tax code for six years. Led by the tax-writing Ways and Means Committee, House Republicans unveiled in June 2016 our blueprint for bold, pro-growth tax reform. Building off of the ideas in our blueprint, in September 2017, House Republicans unveiled a unified framework with the White House and the Senate that laid the foundation for the *Tax Cuts and Jobs Act*.
- ▶ Since 2011, the Ways and Means Committee has held over 40 hearings focused on providing tax relief to hardworking Americans; strengthening America’s competitiveness so our workers and businesses can succeed at home and around the world; helping Main Street job creators grow their businesses, hire more workers, and increase paychecks; and making the tax code simpler and fairer so Americans can keep more of their hard-earned money.

“Republicans are using reconciliation to exclude Democrats from tax reform.”

- ▶ Not true. Reconciliation is simply a legislative tool to help ensure no one party can prevent important legislation from getting to the President’s desk. It does not preclude Republicans and Democrats from working together on tax reform or other key legislation.
- ▶ For example, both parties came together to pass historic welfare reforms using this tool in the 1990s. That law, which resulted in more work and earnings and less poverty and welfare dependence, had near unanimous support among Republicans, was supported by over half of Democrats in Congress, and was signed into law by a Democratic President.
- ▶ The simple fact is this legislative tool encourages all lawmakers who are serious about delivering pro-growth tax reform – regardless of which party they are in – to bring their ideas to the table to strengthen and ultimately approve this once-in-a-generation legislation.

IRS Reform

“This maintains the status quo at the IRS.”

- ▶ A simpler, fairer tax code requires a simpler, fairer tax administration. That’s why the Ways and Means Committee is working on a complementary bill to modernize the IRS – separate from the *Tax Cuts and Jobs Act* because of reconciliation requirements. The IRS reform legislation would build off of our bipartisan hearings to better serve taxpayers and modernize the agency for the 21st century. The Committee will consider this legislation in 2018.



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The **TAX CUTS & JOBS ACT**

WHAT OUR HISTORIC TAX REFORM MEANS FOR YOU AND YOUR FAMILY

More Jobs. Fairer Taxes. Bigger Paychecks

The *Tax Cuts and Jobs Act* is a bold, pro-growth bill that will overhaul our nation's tax code for the first time since President Reagan's historic tax reform 31 years ago. With this bill, a typical middle-income family of four, earning \$59,000 (the median household income), will receive a **\$1,182 tax cut**.

Most importantly – here's what the *Tax Cuts and Jobs Act* means for you and your family:

You will be able to keep more of your hard-earned money every month.

- The *Tax Cuts and Jobs Act* delivers tax relief to Americans of all walks of life.
- It reduces the tax rates for low- and middle-income Americans, and roughly doubles the standard deduction – protecting up to \$24,000 of your family's take-home pay each year from taxes.
- It also eliminates taxes that punish hardworking families, such as the Alternative Minimum Tax.

You will have help raising your children and supporting your family.

- The *Tax Cuts and Jobs Act* delivers much-needed support to American families who today are struggling to keep up with the rising costs of child care, higher education, and looking after their loved ones.
- The legislation takes action to support American families by:
 - Establishing a new Family Credit, which includes expanding the Child Tax Credit from \$1,000 to \$1,600 to help parents with the cost of raising children, and providing a credit of \$300 for each parent and non-child dependent to help all families with their everyday expenses.
 - Preserving the Child and Dependent Care Tax Credit of \$300 to help families care for their children and older dependents such as a disabled grandparent who may need additional support.
- It also helps families save for and better afford college tuition and other education expenses by streamlining today's higher education benefits.

You will have an easier time filing your taxes each April.

- The *Tax Cuts and Jobs Act* provides unprecedented simplicity and fairness by eliminating costly deductions that artificially drive up tax rates and add to layers of complexity to the tax code.
- It ends the expensive and time-consuming nightmare that comes with tax-filing season so the vast majority of individuals and families will be able to file their taxes on a form as simple as a postcard.

You are going to have more job opportunities and see your paycheck grow after years of stagnant wages.

- The *Tax Cuts and Jobs Act* lowers tax rates on businesses of all sizes so job creators can focus more on hiring workers, increasing paychecks, and investing in our local communities.
- This tax relief will help Americans who have been struggling under today's slow-growing economy find a job, earn a raise, and finally get ahead, instead of just getting by.

You will be able to more easily start your own small business and be your own boss.

- With mind-numbing complexity and high tax rates, today's broken tax code can often discourage entrepreneurs from starting a business, creating jobs, and investing in their local communities.
- The *Tax Cuts and Jobs Act* reduces the tax rate on the hard-earned "pass-through" business income to no higher than 25% for Main Street job creators – the lowest tax rate on small business income since World War II.
- Main Street job creators making below \$100,000 each year will see the benefits of individual tax rate reductions just like all other Americans.
- It also simplifies the tax code so Main Street job creators can focus more time and money on growing their business and investing in their workers – not on navigating the current 70,000 pages of tax laws.

You will see more "Made in America."

- With the highest corporate tax rate in the industrialized world, and an outdated international tax system that often taxes America's global businesses twice, today's broken tax code has forced many businesses to move their jobs, research, and headquarters overseas.
- The *Tax Cuts and Jobs Act* will encourage American companies to bring their jobs and operations back home by lowering the corporate tax rate to 20% – the largest reduction in the U.S. corporate tax rate in our nation's history.
- It rewards work done in the United States by allowing businesses to fully and immediately deduct the cost of new capital equipment and promotes the development of cutting-edge "Made in America" products and services by retaining the Research & Development Tax Credit.
- It modernizes our international tax system and encourages America's global businesses to bring their foreign earnings home – so workers and job creators in the United States will once again have a competitive edge over other strong economies.

You and your family will be able to continue using the retirement savings option that best suits your needs at each stage of your lives.

- The *Tax Cuts and Jobs Act* makes no changes to the popular retirement savings options that Americans have today – including 401(k)s and Individual Retirement Accounts, or IRAs. Americans will be able to continue making both traditional, pre-tax contributions and "Roth" contributions in the way that works best for them.
- It also preserves lower rates on capital gains, dividends, and interest income so Americans can invest more in their local economies and build toward a more financially secure future for their families.



The TAX CUTS & JOBS ACT

TAXPAYER EXAMPLES:

HOW THE TAX CUTS AND JOBS ACT HELPS AMERICANS OF ALL WALKS OF LIFE

Family of Four Making \$59,000 Per Year

- ▶ Steve and Melinda have two children in middle school and are living secure middle-class life – but budgets are tight. With tax reform, they'll get some much-needed breathing room financially.
- ▶ As a result of lower tax rates, a significantly larger standard deduction, and an enhanced Child Tax Credit and Family Flexibility Credit, Steve and Melinda will pay **over \$1,182 less in taxes** than last year, reducing their total tax bill from \$1,582 to only \$400. That's more money they can use for whatever is important to them, whether it's paying bills, purchasing a new refrigerator, or putting away savings for the future.

Single Mother Making \$30,000 Per Year

- ▶ Cindy has a fulfilling job and a promising career path as an assistant manager at a local restaurant. She works hard to support herself and her 11-year-old daughter, but most days Cindy feels like she's barely getting by much less getting ahead. With the Tax Cuts and Jobs Act, relief is in sight.
- ▶ Come Tax Day, Cindy will receive a tax refund of over \$1,000 as a result of the bill's lower tax rates, larger Child Tax Credit, and Family Flexibility Credit. This is **over \$700 larger than the refund she receives today**, offering a more meaningful reward for her hard work as she raises her daughter and pursues her own professional aspirations.

Firefighter Making \$48,000 Per Year

- ▶ Alan is a young firefighter in the community he has called home his entire life. He enjoys the job and has chosen it as his profession just like his father and grandfather did before him. The Tax Cuts and Jobs Act will allow him to see even greater reward for his hard and selfless work.
- ▶ Under this legislation, Alan will pay a top marginal tax rate of just 12% instead of the 25% top rate he pays today. Additionally, he'll see nearly double the amount of his paycheck protected from taxes because the bill significantly increases the individual standard deduction from \$6,350 today to \$12,000. In the end, Alan will see his total tax bill go down from \$5,173 currently to just \$3,872 – **a total tax cut of \$1,301.**

New Homeowners Making \$115,000 Per Year in a High Tax State

- ▶ John and Rebecca got married this past summer and just bought their first home. Today, they make a combined income of \$115,000. They will pay \$8,400 in mortgage interest and \$6,900 in state and local property taxes. John and Rebecca would like to have children, but they're not sure if now is the right time financially. Under the Tax Cuts and Jobs Act, they'll receive more support now and into the future.
- ▶ The bill reduces their tax bill from \$12,180 to \$11,050 – **a total tax cut of \$1,130**. This results from lower tax rates, a significantly larger standard deduction, and the addition of the new Family Flexibility Credit. With these benefits, John and Rebecca will also see tax relief for both their mortgage interest and state and local property taxes – all without having to itemize deductions.
- ▶ Finally, if John and Rebecca do have a child, they would be able to claim an increased Child Tax Credit of \$1,600 – up from just \$1,000 today – reducing their taxes even further so they can keep more money to support their new family.

Local Small Business Making \$500,000 in Income

- ▶ When Glenda was a teenager she started her own little lawn care business, mowing the yards of her neighbors during the spring and summer months. Sixteen years later, “Glenda’s Gardening and Landscape” has 41 workers, serves three counties in the area, and is expected to earn \$500,000 in net income this year. Under today’s broken tax code, where small business income is taxed at individual rates, Glenda and her husband will personally be taxed on everything earned by the company. That means paying taxes at individual wage rates, with an income tax bill of about \$128,000.
- ▶ With the Tax Cuts and Jobs Act, Glenda, her family, and her business will see some much-needed tax relief. Her net business income will be taxed at a low maximum rate of 25%, which in combination with no Alternative Minimum Tax (AMT) will **reduce her tax bill by about \$25,000**. This will allow her to use this hard-earned money to grow the business further, create more jobs, and give her loyal workers a raise.

Main Street Startup Company Making \$62,000 in Income

- ▶ Tom always dreamed of opening his own bakery. Two years ago, he went for it and opened up “Tom’s Treats.” Business has been slow but steady and this year he expects the bakery to earn roughly \$62,000 in net income.
- ▶ Under today’s tax code, he will pay \$8,638 in taxes. But, with the Tax Cuts and Jobs Act, Tom will see his tax bill go down to \$5,631 – **a tax cut of \$3,007** as a result of the bill’s tax relief for small businesses that file as individuals. That’s a significant and sustained boost to help Tom through the ups and downs of owning a business, managing a payroll, and making his own American dream a reality.