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Update on Tax Reform 2.0 – The Road to Nowhere

The House has successfully passed three tax bills that are being referred to as Tax Reform 2.0. However, there is no need to (a) celebrate or (b) include their provisions in your 2018 tax planning just yet. The bills are not expected to even be put up for vote in the Senate, since they would not likely receive the 60 votes required to pass, so they are going nowhere for now. The three bills do contain some provisions that are expected to be introduced again at some point, especially those contained in the Family Savings Act, which have bipartisan support. Here is a list of just some of the key contents of each bill:

- *The American Innovation Act*
  - Allows up to a $20,000 current-year deduction for the start-up and organizational expenditures of a new business while requiring the remainder to be amortized over 15 years.
  - Preserves net operating losses and tax credits of start-up companies after an ownership change.

- *The Family Savings Act*
  - Makes traditional IRAs more similar to Roth IRAs, with no age limit on making contributions and elimination of mandatory distributions from IRAs if the balance is $50,000 or less.
  - Permits universal savings accounts, with after-tax contributions of up to $2,500 per year, tax-free earnings, and eligibility to be used for anything, not just retirement.
  - Expands allowable withdrawals from Sec. 529 education accounts for qualified apprenticeship programs and homeschooling expenses.

- *The Protecting Family and Small Business Tax Cuts Act of 2018*
  - Makes permanent the temporary individual tax provisions in the TCJA, which are currently scheduled to sunset after 2025 (e.g., tax rate cuts, new limitation on loss deductions, new $10,000 cap on state and local taxes, and the Sec. 199A pass-through income deduction). *Note that President Trump has recently stated that if the Republicans retain the House and Senate in the mid-term elections, they intend to advance a bill reducing individual tax rates by 10%.*
  - Fixes a perceived glitch in the 60% deduction for cash gifts to public charities, which were (unintentionally?) limited to 50% if the taxpayer made contributions of both cash and marketable securities.