

Consumer Reports Tax Profiles: House vs. Senate Bills

Two-Income family Durham, N.C. Income: \$122,000

	Present Law	House Bill	Senate Bill
Taxable Wages	\$95,000	\$100,000	\$95,000
Long-Term Capital gains	400	400	400

Adjusted Gross Income	\$95,400	\$100,400	\$95,400
Income Tax Deduction	(4,337)		
Property Taxes	(3,900)		
Charitable Contribution	(2,900)		
Mortgage Interest Deduction	(6,000)		
Standard Deduction		(24,400)	(24,000)
Personal Exemptions	(16,600)	0	0

Taxable Income	\$61,663	\$76,000	\$71,400
Tax	8,237	9,072	8,139
Child-Care Credit	(200)	(1,200)	(200)
Lifetime Learning Credit	(2,000)		(2,000)
Family Credit		(600)	
Child Tax Credit	(2,000)	(3,200)	(4,000)

Tax Due	\$4,037	\$4,072	\$1,939
Amount Change		+\$35	-\$2,098
Percentage Change		< +1%	-48%

Assumptions: Homeowners, ages 42 and 43, with two school-aged kids. 401(k) contributions: \$22,000. Dependent-care flexible-spending-account contribution: \$5,000. Investment income: \$400. Property taxes: \$3,900. Charitable contributions: \$2,900. Mortgage interest deduction: \$6,000. Child-care expenses: \$6,000. Annual tuition and fees: \$10,500.

**Single Parent
Milwaukee, Wis.
Income: \$37,000**

	Present Law	House Bill	Senate Bill
Adjusted Gross Income	\$37,000	\$37,000	\$37,000
Standard Deduction	(9,550)	(18,300)	(18,000)
Personal Exemptions	(8,300)	0	0

Taxable Income	\$19,150	\$18,700	\$19,000
Tax	2,193	2,244	2,008
Family Credit		(300)	0
Child Tax Credit	(1,000)	(1,600)	(2,000)
Earned Income Credit	(544)	(544)	(544)

Tax Due (Refund)	\$649	(\$200)	(\$536)
Amount Change		-\$849	\$1,185
Percentage Change		-131%	-183%

Assumptions: Single parent, age 27, with one school-aged child, renting a home.

**Retirees, No Mortgage
Ukiah, Calif.
Income: \$38,800**

	Present Law	House Bill.	Senate Bill
Pension Income	\$9,400	\$9,400	\$9,400
IRA Income	5,900	5,900	5,900
Taxable Social Security Benefits	0	0	0

Adjusted Gross Income	\$15,300	\$15,300	\$15,300
Standard Deduction	(15,600)	(24,400)	(24,000)
Personal Exemptions	(8,300)	0	0

Taxable Income	\$0	\$0	\$0
Tax	0	0	0
Family Credit	0	0	0

Tax Due	\$0	\$0	\$0

Assumptions: Ages 72 and 74. Social Security income: \$25,900. Pension income: \$9,400. IRA income: \$5,900.

Big Income, Big Deductions
Briarcliff Manor, N.Y.
Gross income: \$220,000

Scenario 1: Living in a home with \$22,000 in property taxes, \$16,000 in mortgage interest.

	Present Law	House Bill	Senate Bill
Taxable Wages	\$188,500	\$193,500	\$188,500
Long-Term Capital Gains	10,000	10,000	10,000
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Adjusted Gross Income	\$198,500	\$203,500	\$198,500
Income Tax Deduction	(9,727)	0	0
Property Taxes	(22,000)	(10,000)	(10,000)
Charitable Contributions	(5,700)	(5,700)	(5,700)
Mortgage Interest Deduction	(16,000)	(16,000)	(16,000)
Personal Exemptions	(24,900)	0	0
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Taxable Income	\$120,173	\$171,800	\$166,800
Tax	20,351	30,250	28,211
Alternative Minimum Tax	2,931	0	0
Child-Care Credit	(200)	(1,200)	(200)
Family and Child Credit	0	(4,400)	(5,000)
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Tax Due	\$23,082	\$24,650	\$23,011
Amount Change		+\$1,568	-\$71
Percentage Change		+6.7%	< -1%

Assumptions: Married couple, ages 48 and 51, with two school-aged kids and two kids in college. Both spouses work. 401(k) contributions: \$24,000. Dependent-care flexible-spending-account contribution: \$5,000. Healthcare flexible-spending-account contribution: \$2,500. Long-term capital gains: \$10,000. Charitable contributions: \$5,700. Child-care expenses: \$6,000. Original home property taxes: \$22,000; mortgage interest: \$16,000. New home property taxes: \$27,000; mortgage interest: \$25,200.

2. Scenario 2: Moving to a new home (also in New York) with property taxes of \$27,000 and mortgage interest of \$25,000.

	Present Law	House Bill	Senate Bill
Taxable Wages	\$188,500	\$193,500	\$188,500
Long-Term Capital Gains	10,000	10,000	10,000
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Adjusted Gross Income	\$198,500	\$203,500	\$198,500
Income Tax Deduction	(8,179)	0	0
Property Taxes	(27,000)	(10,000)	(10,000)
Charitable Contributions	(5,700)	(5,700)	(5,700)
Mortgage Interest Deduction	(25,000)	(19,841)	(25,000)
Personal Exemptions	(24,900)	0	0

Taxable Income	\$107,721	\$167,959	\$157,800
Tax	17,238	29,290	26,051
Alternative Minimum Tax	3,119	0	0
Child-Care Credit	(200)	(1,200)	(200)
Family and Child Credit	0	(4,400)	(5,000)
Tax Due	\$20,157	\$23,690	\$20,851
Amount Change		+\$3,533	+\$694
Percentage Change		+17.5%	+3.4%

Divorced Business Owner
Colorado Springs, Colo.
Net self-employment income: \$59,000

	Present Law	House Bill	Senate Bill
Business Income	\$59,000	\$59,000	\$59,000
Long-Term Capital Gains	600	600	600
Student-Loan Interest	(950)	0	(950)
Less SE Tax Deduction	(4,169)	(4,169)	(4,169)
Less SE Health Insurance Ded.	(5,700)	(5,700)	(5,700)
Less Alimony	(18,000)		(18,000)
Less Business Income Deduction			(4,182)
Adjusted Gross Income	30,781	\$49,731	\$26,599
Income Tax Deduction	(806)		0
Property Taxes	(800)	0	0
Charitable Contributions	(2,200)	0	0
Mortgage Interest Deduction	(6,228)	0	0
Standard Deduction	0	12,200	12,000
Personal Exemptions	(4,150)	0	0
Taxable Income	\$16,597	\$37,531	\$14,599
Income Tax	1,923	4,431	1,489
Family Credit	0	(300)	0
Self-Employment Tax	8,337	8,337	8,337
Tax Due	\$10,260	\$12,468	\$9,826
Amount Change		+\$2,208	-\$434
Percentage Change		+21.5%	-4.2%

Assumptions: Divorced taxpayer with \$59,000 in net self-employment income. Long-term capital gains: \$600. Student-loan interest: \$950. Property taxes: \$800. Charitable contributions: \$2,200. Mortgage interest: \$6,228. Uses Roth IRA for retirement savings. Alimony/spousal support payments: \$18,000/year.

**Moneybags
Coral Gables, Fla.
Income: \$2.1 million**

	Present Law	House Bill	Senate Bill
Business Income	\$2,076,000	\$2,076,000	\$2,076,000
Long-Term Capital Gains	25,000	25,000	25,000
Interest Income	28,000	28,000	28,000
Less Business Income Deduction			(250,000)
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Adjusted Gross Income	\$2,129,000	\$2,129,000	\$1,879,000
Sales Tax Deduction	(2,818)	0	0
Property Taxes	(30,000)	(10,000)	(10,000)
Charitable Contributions	(70,000)	(70,000)	(70,000)
Mortgage Interest Deduction	(35,000)	(17,500)	(35,000)
Sec. 68 Item Ded. Phaseout	54,270	0	0
Personal Exemptions	(0)	0	0
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Taxable Income	\$2,045,452	\$2,031,500	\$1,764,000
Income Tax	749,243	670,634	590,994
Additional Medicare Tax	2,250	2,250	2,250
Net Investment Income Tax	2,014	2,014	2,014
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Tax Due	\$753,507	\$674,898	\$595,258
Amount Change		-\$78,609	-\$158,249
Percentage Change		-10.4%	-21%

Assumptions: Married couple, ages 60 and 62, no dependent children. One works. Wages: \$500,000; pass-through income: \$1,600,000. (For this example, "reasonable compensation" was not considered in determining the income amount upon which the pass-through tax was determined.) 401(k) contribution: \$24,000. Long-term capital gains: \$25,000. Interest income: \$28,000. Sales tax: \$2,818. Property taxes: \$30,000. Charitable contributions: \$70,000. Mortgage interest: \$35,000. Section 68 itemized deduction phase-out: \$54,270. All the business income is nonpassive. \$480,000 of the business income qualifies for the 25 percent business tax rate. For the Senate version: Business income deduction is \$250,000, based on the assumption that the business paid \$500,000 in qualified wages and the deduction was limited to 50 percent of the \$500,000 in wages paid.

**Long-Term-Care Patient
Missoula, Mont.
Income: \$72,000**

	Present Law	House Proposal	Senate Bill
Pension and Interest Income	\$48,000	\$48,000	\$48,000
Taxable Social Security benefits	20,400	20,400	20,400
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Adjusted Gross Income	\$68,400	\$68,400	\$68,400
Medical Expense Deduction	57,460		\$59,170
Sales Tax Deduction	0		
Charitable Contribution			
Mortgage Interest Deduction			
Standard Deduction		(12,200)	
Personal Exemptions	(4,150)	0	0
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Taxable Income	\$6,790	\$56,200	\$9,230
Tax	679	8,200	923
Family Credit		(300)	
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Tax Due	\$679	\$7,900	\$923
Amount Change		+\$7,221	+\$244
Percentage Change		+1,063%	+36%

Assumptions: Widow, age 88. Social Security benefit: \$24,000. Pension and interest income: \$48,000. Long-term-care expenses: \$59,300. Health insurance and other medical expenses: \$5,000.

Sources: Phillip Schwindt, principal tax research analyst, and Mark Luscombe, principal analyst, tax and accounting, at Wolters Kluwer Tax & Accounting; Steven Garcia, certified public accountant; Michael Kresh, certified financial planner; Robinson & Henry; Internal Revenue Service; U.S. Census Bureau; City-Data.com; Economic Policy Institute; Social Security Administration; Pension Rights Center; HSH.com; Zillow.com; Avalara.com; U.S. Government Accountability Office; Genworth.