Written by **Bob Adelmann** on December 18, 2017

Final Tax Reform Bill: The Goods Outweigh the Bads

With victory over tax reform clearly in sight, President Trump on Sunday tweeted, "As a candidate, I promised we would pass a massive TAX CUT for the everyday working American families who are the backbone and the heartbeat of our country. Now, we are just days away." From the White House came more details:

> [By] lowering tax rates, simplifying the rigged and burdensome tax code, and repealing the failed tax on lower- and middle-income households known as the ObamaCare individual mandate, this legislation will grow our economy, raise wages, and promote economic competitiveness.

Anti-tax reform, anti-freedom Democrats such as California Senator Dianne Feinstein railed against the bill, which came off as so much political chaff and actually acted to confirm that much of what the president is predicting is likely to happen: more jobs, higher wages, better competitiveness in the global economy, and ultimately a higher standard of living for nearly everyone. Feinstein called the bill "awful" and "one of the most irresponsible I've seen…. I'm surprised anyone can call this a tax reform bill with a straight face. This is nothing more than a huge tax cut for big corporations and the rich, paid for by the middle class." What makes her hypocrisy even more galling, Feinstein's personal wealth is so vast that her financial disclosure statement runs 347 pages, providing details of her personal wealth in excess of $100 million. It's only other peoples' wealth that she hates.

What's in it?

There are seven tax brackets, with the top tax bracket (which affects only those couples making $600,000 a year or more) dropping slightly, from 39.6 percent to 37 percent.

The standard deduction will double, greatly simplifying the filing of income tax returns by the vast majority of taxpayers.

Mortgage interest will still be deductible for the vast majority of Americans; interest on mortgages over $750,000 for new homes won't be deductible.

Corporate tax rates will drop from 35 percent to 21 percent, the largest cut in history (high corporate taxes often either get passed on to consumers in the form of higher prices or come out of the wages of employees).

Deductions for medical expenses and student loan interest remain in place.

The odious anti-freedom ObamaCare mandate will end, in essence giving those who chose to pay a penalty instead of buying health insurance a tax break.

The child tax credit doubles under the new bill, from $1,000 to $2,000, and those not paying income taxes will get $1,400 of that credit back as a refund.

The estate tax remains in place, but it will now only apply on estates larger than $11.2 million;

Owners of “pass-through” entities such as LLCs and Subchapter S Corporations will enjoy an automatic 20-percent deduction against taxable income.

The Corporate Alternative Minimum Tax (AMT) is eliminated; and a tiny piece of the Arctic National Wildlife Refuge (ANWR) will be open to oil and gas drilling.

What’s missing?

The AMT for individuals remains in place.

The long-term capital gains tax rates remain unchanged.

There is no “tax holiday” for American companies holding untaxed profits overseas; and the Johnson Amendment remains in place, giving the IRS the power to quash political pulpit freedom if it wishes to.

What’s the likely impact?

The easy answer is to look at the performance of the stock market as the day of the final votes draws nearer. Often referred to as a barometer for future economic performance, stocks continue to mirror unbridled optimism that the growth seen in the economy in all sectors since the first of this year will continue well into the next.

Deficits will increase by an estimated $1.5 trillion over the next 10 years, or just $150 billion a year. This becomes a rounding error when compared to the built-in automatic increases in welfare spending thanks to Medicare, Medicaid, and the various programs making up Social Security.

It should be noted that many of the tax cuts are temporary, meaning that Congress will not only have to address them in the future as they expire, but it will give a new Congress the opportunity to limit or eliminate them according to its political ideology.

Overall, however — borrowing from the old adage that there is no such thing as a good war or a bad peace — the tax reform bill about to be passed is likely to prove that there is no such thing as a bad tax cut or a good tax increase.

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