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# The effect of the Tax Reform Act of 1986 on itemized deductions

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# NORTHERN ILLINOIS UNIVERSITY

THE EFFECT OF THE TAX REFORM ACT OF 1986 ON ITEMIZED DEDUCTIONS

A THESIS SUBMITTED TO THE
UNIVERSITY HONORS PROGRAM
IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS OF THE BACCALAUREATE DEGREE
WITH UNIVERSITY HONORS

DEPARTMENT OF ACCOUNTANCY

BY

AARIN FINE

BEKALB, ILLINOIS

MAY, 1987

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DEPARTMENT OF: Acountancy

DATE: 3/19/87

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Dr. October 22, 1986. President Ronald Reagan signed into law the Tax Reform Act of 1986. The Act is a historical document that makes the most sweeping changes to the Internal Revenue Code since its inception in 1913. In effect, the Act will rewrite the Internal Revenue Code and will affect each and every individual who pays a Federal income tax.

The purpose of the Act is trifold. First, the Act aims to make the tax system simpler by eliminating certain deductions and reducing the need for recordkeepins. Second, the Act aims to make the tax system fairer, whereby individuals with relatively equal amounts of income will have relatively similar tax liabilities. Finally, the Act aims to ensure a more efficient tax system by encouraging individuals to base their investment decisions on economic factors rather than merely tax factors. The basic underlying goal of the Act is to increase taxable income through the elimination of certain deductions and to decrease the tax rates.

The Tax Reform Act of 1986 affects every aspect of the current income tax system. However, the purpose of this study was to investigate only those changes that affect itemized deductions (Schedule A) for individuals. These changes were studied in terms of how they impacted an individual's tax liability.

Sensitivity analysis was used to examine these changes. A spread sheet, using Lotus 1-2-3, was designed to compute the tax liability of a hypothetical taxpayer under both the provisions of the current Internal Revenue Code and the Act. To do so, the following assumptions were made:

- All texpayers were single with no other exemptions on dependents.
- 2. No moving expenses were incurred.
- Employee business expenses for travel and transportation equaled 3% of total income.
- Other employee business expenses equaled 1 1/2% of adjusted gross income.
- 5. Medical expenses equaled 6% of adjusted gross income.
- 6. Income taxes equaled 2 1/2% of adjusted gross income.
- Bales taxes equaled 1% of adjusted gross income.
- Residential mortgage interest expense equaled 10% of adjusted gross income.
- Consumer interest expense equaled 4% of adjusted gross income.
- 10. Adjustments to gross income were only for moving or unreimbursed travel and transportation expenses as required by the provisions of the current Internal Revenue Code.
- Misceilaneous itemized deductions were only for moving or employee business expenses as required by the provisions of the Tax Reform Act of 1986.
- 12. Yota: income remained constant.

## STANDARD DEDUCTION

Under Section 63(c) of the current Internal Revenue Code a deduction is allowed from adjusted gross income (A.G.I.) for excess itemized deductions (i.e. total itemized deductions less the applicable zero bracket amount), and the standard deduction (the zero bracket amount) is built into the tax tables. However, under Section 102(a)(e) of the Act a deduction will be allowed from adjusted gross income equal to the greater of total itemized deductions or the applicable standard deduction. The

intent of the Act is to reduce the number of taxpayers who itemize, thus making it simpler for individuals to file their own income tax returns. In order to reduce the number of taxpayers who are able to itemize, the Act simultaneously increases the amount of the standard deduction, and decreases or eliminates many Schedule A deductions. With the increase in the standard deduction, legislators are confident that the standard deduction for most taxpayers will exceed their total itemized deductions, so the majority of taxpayers will not be itemizing their deductions.

In both the House's version of the bill and the Senate's version of the bill the standard deduction was increased, and the zero bracket amount was replaced by a standard deduction that would not be built into the tax tables. The purpose of implementing the standard deduction was to show taxpayers that they are allowed a deduction from adjusted gross income even if they do not itemize. Apparently, under the current system, many taxpayers felt they were not receiving any deduction from adjusted gross income unless they itemized. This was because the zero bracket amount was "hidden" in the tax tables. The amount of the standard deduction under the existing Internal Revenue Code and under the Act depends on a taxpayer's filling status as follows:

FILING STATUS	1986	1987	1988
Married Filing Joint	<b>⊅</b> 3,670	<b>\$3,76</b> 0	\$5,000
Surviving Spouse	<b>≇3,</b> 470	\$3,760	\$5,000

Head of Household	\$2, <b>4</b> 80	\$2,540	\$4,400
Single	\$2, <b>48</b> 0	\$2,5 <b>4</b> 0	\$3,000
Married Filing Separate	\$1,935	\$1 <b>,88</b> 0	\$2,500

The new standard deduction will be indexed for inflation beginning in 1989, and is effective for taxable years beginning after 12-31-96.

#### MEDICAL EXPENSE

Under Section 213 of the current Internal Revenue Code an itemized deduction is allowed for medical and dental expenditures. According to the Code, deductible medical expenses include amounts paid on behalf of the taxpayer, his or her spouse, and any dependents for the diagnosis, cure, relief. treatment, or prevention of disease. The deduction is only allowed for taxpayers who are able to itemize, and whose aggregate medical and dental expenses are in excess of 5% of their adjusted gross income. Under Section 133 of the Tax Reform Act of 1986 the types of medical expenditures that are deductible remain the same, but the floor of the deduction is raised from 5% to 7 1/2% of adjusted gross income. The new floor is effective for taxable years beginning after 12-31-86.

The House wanted to keep the floor at 5% while the Senate wanted to raise the floor to 10%. The goal of the Senate was to decrease the number of taxpayers who could claim a medical deduction. The Senate felt that by raising the floor fewer taxpayers would be allowed to claim this deduction, yet the deduction would still be available to those taxpayers who had an

extraordinary amount of medical and dental expenses. The new floor of 7 1/2% is an exact compromise between the House's and the Senate's version of the bill.

Under the Act the deduction will be available to those taxpayers that pay an excessive amount of medical and dental expenses. The new deduction should still encourage health care since it will provide taxpayers with a partial relief from their tax liability during periods of extraordinary medical expenses.

It should be noted that adjusted gross income for many taxpayers will increase under the Act since certain adjustments to income are being repealed and modified, such as the IRA deduction, the moving expense deduction, and certain employee business expenses. Also, certain types of income presently excluded from total income will be included in total income under the Act, such as unemployment compensation, scholarships, fellowships, prizes and awards. Therefore, the interplay between the increase in adjusted gross income amounts and the increase in the medical expense floor will allow fewer taxpayers to claim a medical expense deduction than if the legislators had only raised the medical expense deduction floor.

An analysis of the effect of these changes on a single individual's tax liability was performed, and the results appear in Tables 1. 2, and 3. The taxpayer's medical expense was assumed to be equal to 4%, 6% and 8%, respectively, of adjusted gross income. In Table 1, the taxpayer is not entitled to a medical deduction under either the current Code or the new tax provisions. However, the taxpayer still experiences a 10%

decrease in his tax liability due to the decrease in tax cates implemented under the Act. In Table 2, the taxpayer is entitled to a medical expense deduction under the current Code, but is not entitled to a deduction under the Act. Nonetheless, the taxpayer still incurs an 8% decrease in his tax liability due again to the decrease in tax rates. The taxpayer in Table 3 experiences approximately a 6% decrease in his tax liability. This percentage decrease is not as high as in the second situation since a significant amount of his medical expense deduction is lost under the new provisions, unlike the situation in Table 2. The results of this analysis show that although taxpayers will lose some of their medical expense deductions under the Act, the loss will be compensated for, in most cases, by the decrease in tax rates.

#### TAXES EXPENSE

Under Section 164 of the existing Internal Revenue Code & deduction for certain taxes paid is allowed from adjusted gross income. According to the Code, deductible taxes include state, local, and foreign income taxes, real property taxes, state and local personal property taxes, general sales tax, and the windfall profit tax. Under Section 135 of the Act the deduction for state and local sales tax paid is repealed, with all other tax deductions being retained.

The House retained the current deduction for state and local sales taxes in its version of the bill. However, the Senate Finance Committee proposed that no deduction be allowed for sales taxes paid. During floor debate, the Senate amended the Senate

.505364 : -77	98e	1987	1122
1014. NOCAS	25100	15:13	25221
ADGUSTMENTS TO INCOMÉ:			
		FRQM 481	FR 25 (45)
MOVING EXPENSES EMPLOMEE BUSINESS EXPENSE	0 753	FROM ASS	FROM AGE
T0T4_ 40008TMENT8	750	NONE	V3VE
	34250	25000	25300
ADVICATED BROSS INCOME	745A-		
IMEMICED DESUCTIONS			
MEDICAL EXPENSE	971	2001	.000
ACTEAL * FLOOF	1212.5	1875	: 875
ALICATED MEDICAL EXPENSE	Q	3	Ą
TAXES EXPENSE		625	525
INCOME TAKES	≲ūá.25 242,3	45 D- 37	REPEALED
BALES TAXES TUTAL TAXES	346.75	225	425
HINTEREST EXPENSE		AFD:	2500
MORTBAGE INTEREST	2425 978	2500 850	45Q
CONSUMER (PHASES (UT) TOTAL INTEREST EXPENSE	3395	9159	2900
MISCELLANEGUS EXPENSE EMPLOYES BUSINESS EXPENSE	363.75	1125	1025 500
LESS EMP BUS EXP FLOOR	NONE	508 625	.25
ALLOW EMPLOYEE BUSINESS EXPENSE	983.75 508.460		0
MOVING EXPENSE ALLOWED MIGGELLANEGUS EXPENSE	363.75	525	625
TOTAL ITEMIZED DEDUCTIONS	4627.5	4485	<b>415</b> 8
ZBA/STANDARO DESUCTION	2480	2548	3000
ALLOW ITEMIZED DED/STANDARD DED	2127.5	<b>44</b> 00	4158
	22122.5	29.600	26650
ASI-ALLOWED DEDUCTIONS		1985	1950
LESS PERSONAL EXEMPTION	1380	18780	18900
TAXABLE ;NEOME	21842.5		2071.5
TAX LIMESTLITY	33:8.45	2990	
INCA/DECR IN TAX LIABILITY		-338,45	-346,75
V CHANGE IN TAX LIAGULITY		-0.18199	-9.10455
* MED EXP = 4% OF A.G.I.		ח	

TABLE 2 ANALYSIS OF MEDICAL EXPENSE

MULE COM	1986	:9 <del>3</del> 7	
AL INCOME	25030	25000	25000
STMENTS TO INCOME:			
IOVING EXPENSES	0	FROM AGI	FROM AGI
PLOYEE BUSINESS EXPENSE	750	FRCM A61	FROM AGI
AL ASSISTMENTS	750	*ONE	NONE
USTEC GROSS INCOME	24250	25000	<b>25</b> 990
MIZED DEDUCTIONS			
TOAL EXPENSE			\ <b>5</b> 08
40TU4L *	1455	1500	:500 1875
FLODR	1212.5	1875	1875
ALLOWED MEDICAL EXPENSE	242.5	0	2
XES EXPENSE	JEJ AE	625	625
INCOME TAXES	404.25	REPSALED	REPEALED
SALES TAXES	242.5	625	425
TOTAL TAXES	848,75	924	244
TEREST EXPENSE		2500	2505
MORTGAGE INTEREST	2425		505
CONSUMER (PHASED OUT)	976	650	2989
ICTAL INTEREST EXPENSE	3395	3150	2783
ISCELLANEOUS EXPENSE			1125
EMPLOYEE BUSINESS EXPENSE	363.75	1125	
LESS EMP BLS EXP FLOOR	NONE	<b>5</b> 60	500
ALLOW EMPLOYEE BUSINESS EXPENSE	363.75	525	525
NOVINS EXPENSE	FOR AGE	3	Û 12E
ALLOWED MISCELLANEOUS EXPENSE	343.75	\$25	625
SAC STEMSZED DEDUCTIONS	4650	4409	4150
BAZSTANDARD DEDUCTION	2480	2540	3050
LLOW ITEMIZED DED/STANDARD DED	2970	4490	4)50
BI-4cLGwED DEDUCTIONS	21980	22609	20852
EBS PERSONAL EXEMPTION	1080	1929	1950
TAXABLE INCOME	20800	:9700	18962
AA LIABILITY	9255,4	2980	2973.5
NORVOECR IN TAX LIABILITY		-275,4	+283.7
CHANGE IN TAX LIABBLITY		-0.08459	-5.38720
* YED EXP = \$% OF 4.8.1.		ď	
		8	

TABLE 3
ANYLYBIS OF MEDICAL EXPENSE

TAXABLE YEAR	1986	1987	1988
TOTAL INCOME	25900	25899	25053
ADJUSTMENTS TO INCOME:			
MEWONG EXPENSES	ũ	FROM AGI	FROM AGO
EMPLOYEE BUSINESS EXPENSE	750	FROM AĞI	FROM AGI
TOTAL ADJUSTMENTS	750	NONE	NONE
ADJUSTED BROSS ENCOME	24250	250DC	25000
ITEMIZED DEBUCTIONS			
MEDICAL EXPENSE		2870	2008
ACTUAL ₹	1940	2899 19 <b>7</b> 5	;275
913 <b>96</b>	12:2.5		125
ALLOWED MEDICAL EXPENSE	727.5	: 25	113
TAXES EXPENSE			625
INCOME TAXES	696.25	625	REPEALED
SALES TAXES	242.5	REPEALED	625
TOTAL TAXES	€48.75	\$25	623
INTEREST EXPENSE	2425	2560	2500
MORTBABE INTEREST	2425 971	65°C	400
CONSUMER (PHASED BUT) TOTAL INTEREST EXPENSE	3395	3150	2900
MISCELLANEOUS EXPENSE			1125
EMPLOMEE BUSINESS EXPENSE	263.75	1125	50E
LESS EMP BUS EXP FLOOR	NONE	500	625
ALLOW EMPLOYEE BUSINESS EXPE	NSE 363.75	625	923
MOVING EXPENSE	FOR AG:	: : •	625
ALLOWED MISCELLANEOUS EXPENS	€ 363.75	625	
TOTAL ITEMIZED DEDUCTIONS	5335	4525	4275
ZBAZETANDARD DEDUCTION	2480	2540	3000
ALLOW ITEMIZED DED/STANDARD DE	ED 2855	4525	4275
AG1+ALLOWED DEBUCTIONS	2:395	28475	20725
LESS PERSONAL EXEMPTION	1085	1 <b>9</b> 00	1950
TAXABLE INCOME	20315	18575	19775
TAY LIABILITY	3129.3	2945	2936.5
		-18 <b>4</b> , J	-192.8
X SHANGE IN TAX LIABILITY		-0.05889	-0.06161

\* MED EXP = 8% 0F 4.G.).

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Also, since another intent of Congress was to encourage savings, legislators chose not to continue providing incentives for consumer consumption. By repealing the deduction for sales tax, along with the deduction for consumer consumptive hopes to discourage future consumption. The sales tax deduction is repealed for taxable years beginning after 12-31-84.

The following three analyses illustrate how the repeal of the sales tax deduction will affect an individual's tax liability. In the analyses, the taxpayer's sales tax expense was assumed to be equal to 0, 1% and 5%, respectively, of adjusted gross income. In Table 4, although the taxpayer income no sales tax deduction he experiences a 10% decrease in his tax liability due to the decrease in tax rates. In Table 5 the taxpayer only experiences an 6% decrease in his tax liability since he loses his sales tax expense deduction under the new provisions. In Table 5 the taxpayer actually incomes a nominal decrease in his 1987 and 1988 tax liability. In this case the loss of a significant sales tax deduction is offset almost completely by the decrease in tax rates. The results of this analysis were found to be consistent

with the results found in the medical expense analysis: although taxpayers will lose their sales tax deduction under the new provisions, the loss will be compensated for, in most cases, by the decrease in tax rates.

#### INTEREST EXPENSE

Under Section 163 of the current Internal Revenue Code an itemized deduction for all interest paid or accrued within the taxable year or certain indebteoness is allowed (see lists A and B). However, under Section 511 of the Act only four types of interest expense will be deductible for individuals.

Interest expense on a first or second home mortgage will continue to be deductible. However, a taxpayer can only deduct the interest incurred on such loans if the mortgage does not exceed the purchase price of the home plus the cost of any improvements to the home. If the amount of the loan is equal to the appreciated value of the home, the interest expense incurred on the portion of the mortgage that exceeds the purchase price of the home and the improvements, will be deductible providing the proceeds of that portion of the loan are used for either qualified medical expenses or educational expenses. For example, assume the cost of a taxpayer's home is \$60,000, the cost of the improvements to the home is \$10,000, and the home is mortgaged to its appreciated value of \$90,000. The taxpayer may deduct the interest expense incurred on \$70,000 (\$60,000 + \$10,000) of the loan regardless of the use of the proceeds of the loan. However, the interest expense incurred on the remaining \$20,000 (\$90,000 -\$70,000) of the mortgage may be deducted by the taxpayer only if

TABLE 4 MYALYSIS OF SALES TAX EXPENSE

TAXABLE YEAR	1936	1987	1.288
TOTAL INCOME	25000	25000	25000
ADGUSTMENTS TO INCOME:			
AN THE EVERYOCE	1	FROM AUI	FROM A01
AUTURE BREINESS ENGENEE AUTURE EXERNESS ENGENEE	750	FROM AGO	FROM AGI
TOTAL ADSSETMENTS	759	NONE	7€7E
ADDUSTED GROSS INCOME	24250	250@0	25000
THEMOSED DEPOSTICAS			
MEDICAL EXPENSE			.503
ACTUAL	:455	;500	1593
FLSGP	1,212.5	1875	1675
ALLOWED MESSIVAL EXPENSE	242.5	3	y
TAXES EXPENSE		á25	e2°
INCOME TAXES	58 ± . 25	REPÉALEU	REPEALED
SALE5 T≏XES +		425	-25
10741 TAXES	406. <b>2</b> 5	923	4
(ATEREST EXPENSE	2425	<b>2</b> 500	2500
MORTGAGE INTEREST	973	65D	400
CONSUMER (PHASED SUT) TOTAL INTEREST EXPENSE	779 33 <b>95</b>	3150	<b>19</b> 90
MISCELLANEOUS EXPENSE			
EMPLOYED BUSINESS EXPENSE	983,75	11.25	3125
LESS EMP BUS EXP PLOCE	NONE	500	500
ALLOW EMPLOYEE SUSINESS EXPE	•	625	e25
	FOR AGI	ē	1
MODING EXPENSE ALLOWED MISCELLANEOUS EXPENS		\$2 <b>5</b>	625
TOTAL (TEMIZE: DEDUCTIONS	4607.5	4400	4150
IBAY STANDARO DEDUCTION	1480	<b>9542</b>	3000
ALLOW (TEMIZED DED/STANDARD DE	ES 2127.5	4490	4:50
491-ALLOWED DEDUCTIONS	22132.5	20a03	21850
TERS PERSONAL EXEMPTION	1980	: 700	1950
	51842,5	16711	,889,
TAKHELE INCOME		2950	2771.5
TAX JAEJLITT	3318,45		-340,9
ENGRADECR IN TAX LIMBILITY		-336,4€	
N CHAKSE IN TAY LIABILITY		+0.13199	+0,0045

# S4LE3 TAX EXP = 5

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TABLE 5 ANALYSIS OF SALES TAX EXPENSE

. •	TAXABLE YEAR	1986	1987	.988
	TOTAL INCOME	25200	25000	<b>25</b> 900
	ADJUSTMENZS TO INCOMÉ:			
	MOUTING EXPENSES EMPLOYEE BUSINESS EXPENSE	9 752	FROM AGI FROM AGI	580M A61 580M A61
	TOTAL ADJUSTMENTS	750	NGNE	BADNE
	ADJUSTED GROSS INCOME	24250	25000	<b>250</b> 00
	ITEMIZED DEDUCTIONS			
	MESICAL EXPENSE  ACTUAL FLOOR ALLOWED MEDICAL EXPENSE  TAXES EXPENSE	:455 :2:2:5 242:5	1500 1875 a	:59a :875 ù
	INCOME TAXES	606.25	325	á25
	SALES TAXES *	242.5	REPEALED	REPEALED
	TOTAL TAXES	348.75	625	é25
	INTEREST EXPENSE		4544	2580
	MGRIGAGE INTEREST	2425	2500 650	499
	CONSUMER (PHASED BUT)	979	830 3159	2900
	TOTAL INTEREST EXPENSE	3395	97.34	1700
	MISSEL ANEOUS EXPENSE	363.75	1125	1125
	PAPLOMEE BUSINESS EXPENSE	NONE	500	508
	LESS EMP BUS EXP FLOOR		625	625
	ALLOW EMPLOYEE BUSINESS EXPENSE MOVING EXPENSE	FOR AGI	0	Ü
	ALLOWER MISCELLANEOUS EXPENSE	363.75	625	525
	TOTAL ITEMIZED DEDUCTIONS	4850	440C	4153
	ZBA/STANDARC DEDUCTION	2480	254C	3330
	ALLOW IMENIZED DED/STANDARD DED	2370	4400	4156
	AGE-ACLIGNED DEDUCTIONS	21880	26400	20850
	LESS PERSONAL EXEMPTION	1980	1900	1956
	TAXABLE INCOME	20865	18700	16950
	TAX LIABILITY	3255.4	298ú	29715
	INCREDECE IN TAX LIABILITY		-275.4	-293.9
	X CHANGE IN TAX LIABILITY		-9.08459	-0.08720

<sup>\*</sup> SALES TAX EXP = 1% OF A.S.1.

TABLE 6 AMALYSIS OF SALES TAX EXPENSE

TAXABLE YEAR	1988	; 487	1986
FOTAL ENGOME	25000	25300	25000
ADJUSTMENTS TO INCOME:			
HOVENG EXPENSES	Ó	FROM AGI	FR94 460
SANTOARE BRESINERS EXGENSE	750	FRO™ ASI	FROM AGI
TETAL ADJUSTMENTS	750	NONE	NONE
AGGUSTED GROSS INGUKE	24250	25000	25010
(TEM1255) DEDUCTIONS			
MESSICAL EXPENSE			1500
agtig <u>u</u>	;455	1530 1875	1675
FLOOR	1212.5 242.5	.070	
ALLOWED MEDICAL EXPENSE	242.3	,	
TAKES EXFERSE		±25	÷25
INCOME TAXES	á06.25 :2:2,5	RÉPÉGLES	REPEALED
SALES TAXES ≠ 11TAL TAXES	1919.75	625	625
1 31 34455			
·· JATEREST EXPENSE		2588	2500
MURTEAGE INTEREST	2425 970	2300 650	400
ÇONSUMER JANASES DUT) TOTAL INTEREST EKPENSE	3305	2:50	2985
AC AC DATERES, EXTENSE	-7 7		
MISCELLAMECUS EXPENSE		::25	1125
EMPLIYEE BURINESS EXPENSE	363,75	za 500	500
LESS ZMP 898 EXP FLORA	NONE 3631,75	525	625
ALLOW EMPLOYEE BUSINESS EXPENSE MOVING EXPENSE	503.74 FQR AGD	3	(
ALLOGED MISCELLANEGUS EXPENSE		±25	525
	5820	4430	4)50
TOTAL ITEMIZED DECUCTIONS		2540	3059
ZBA/STANDARD DEDUCTION	2465		415[
AULOU ITEMIZED DED/STANDARD DED	3340	4430	
AGS-ALLOWED DEDUCTIONS	20916	25500	2085
LESS PERSONAL EXEMPTION	1080	1940	1951
TAXABLE INCOME	19830	18790	19900
TAX LIABILITY	3883.2	2988	2971.5
YTTLESALL KAT ME ROEGVROM:		-23.2	-31.7
% CHANGE IN TAX LIABILITY		-0.06772	-0.81955
* SALES TAX EXP = 5% OF A.S.I.		u l	
		17	

### LIST A

## EXAMPLES OF DEDUCTIBLE INTEREST EXPENSE IN 1984

Interest on a Personal Loan
Interest on a Business Loan
Mortgage Interest
Points-lf Borrower
Note Discount Interest
Installment Plan Interest
Credit Card Interest
Finance Charges
Mortgase Prepayment Penalty
Redeemable Ground Rents
Unstated Interest

#### LIST B

### EXAMPLES OF NONDEDUCTIBLE INTEREST EXPENSE IN 1986

Service Charges

Points-If Seller

Loan Fees

Interest Relating to Tax Exempt Income

Penalties

Premium on a convertible bond

Credit Investigation Fees

Interest Paid to Carry Single Fremium Life Insurance

the proceeds from that \$20,000 are used to pay for either medical expenses or educational expenses. The medical expenses must qualify as an itemized deduction, and educational expenses may consist of tuition, books and any other necessary educational expenses that are defined by Section 117(b) of the Act. It should be noted that a taxpayer may no longer deduct interest expense incurred on educational loans unless the loan is backed by the collaterol of a home.

The second type of interest expense that is deductible under the Act is interest incurred in carrying on an active trade or business. This type of interest expense will continue to be fully deductible on Schedule C for sole proprietors and on Schedule E for partners in a business. Interest paid on loans to finance investments is the third type of interest expense that will remain deductible. However, it will now be deductible only to the extent of the taxpayer's net investment income (i.e. investment income less investment expenses). The current \$10,000 allowance will be phased out between 1987 and 1991 as follows: 35% disallowed in 1987, 60% disallowed in 1988, 80% disallowed in 1989, 90% disallowed in 1990 and 100% disallowed in 1991.

The fourth allowable interest deduction, for consumer interest expense, will be phased out between 1987 and 1991. 35% of such interest will be disallowed in 1987, 60% in 1988. 80% in 1989, 90% in 1990, and 100% in 1991. This deduction includes interest incurred on auto loans, life insurance loans, credit card balances, boat loans, charge accounts and income tax gwed. 5cm example, a taxpayer who incurs \$1,000 of consumer interest

expense each year between 1987 and 1991 will only be entitled to deduct \$650 of interest expense in 1987, \$400 in 1988, \$200 in 1989, \$100 in 1990, and no interest expense in 1991.

The House's version of the bill and the Senate's version of the bill were identical concerning the treatment of mortgage interest expense, so the Act merely incorporates what was proposed by both houses. With regard to interest expense incurred in carrying on an active trade or business both houses desired to retain the expense as a deduction so it is still deductible under the Act. However, concerning investment interest expense and consumer interest expense the House's version of the bill and Senate's version of the bill did not agree. The Senate's proposal repealed the deduction for consumer interest expense and only allowed a deduction for investment interest expense to the extent of net investment income. The House's proposal allowed a deduction for non-business interest expense (1.e. investment interest expense and consumer interest expense) to the extent of net investment income plus \$20,000, for married filling joint taxpayers (\$10,000 for single taxpayers). The Conference Committee accepted the Senate's proposal but it included a phase but of the consumer interest deduction and the current \$10,000 allowance used to compute the investment interest expense deduction. The new provisions are effective for taxable years beginning after 12-31-86.

The following six analyses illustrate how the phase out of the consumer interest expense deduction will affect an individual's tax liability. In Tables 7, 8, and 9 the taxpayer's total income equaled \$25,000 and his consumer interest expense

equaled 0, 4% and 8% of adjusted gross income, respectively. In Tables 10,11, and 12 the taxpayer's total income equaled \$50,000 and his consumer interest expense equaled 0, 4% and 8% of adjusted grows income respectively. It should be noted in the Tables that the mortgage interest expense deduction varies between 1986 and 1997 because the taxpayer's adjusted gross income changes between the years. The results in Table 7 show that although the taxpayer incurred no consumer interest expense he experienced a 9% decrease in his 1987 tax liability and a 12%decrease in his 1988 tax liability due to the decrease is tax rates. In Table 8 the taxpayer experienced only an 8% decrease in his tax liability since his consumer interest deduction was partially disallowed under the new provisions. In Table 9 the taxpayer experienced a 6% decrease in his 1987 tax liability and a 4% decrease in his 1988 tax liability since a substantial portion of his consumer interest expense deduction was disallowed under the new provisions. This loss was partially compensated for by the decrease in tax rates. In Table 10 the taxpayer again incurred no consumer interest expense however, his total income increased by \$25,000 thus pausing a nominal decrease in his 1987 tax Tiability, since his average tax rate decreased slightly, and a 10% decrease in his 1989 tax liability, due to the decrease in tax mates. The taxpayens in Tables 7 and 10 experienced different changes in their 1987 tax liabilities due to the difference in their total incomes. The decrease in the 1987 tax rates helps lower income taxpayers more than higher income taxpayers. This is why the taxpayer in Table 10 incurred only a

nominal decrease in his 1987 tax liability, and the taxpayer in Table 7 incurred a significant decrease in his 1997 tax liability. In Table 11 the taxpaver expensenced a 2% increase in his 1987 tax Hiability and a 6% decrease in his 1988. The increase in 1987 was due to the partial disallowance of the consumer interest expense deduction which was not offset by the decrease in tax rates due to his higher level of income. The decrease in 1988 was due to the drastic decrease in tax rates for high income individuals. In Table 12 the taxpayer experienced a 5% iscrease in his 1987 tax liability and a nominal decrease in his 1988 tax liability. The increase in 1987 was due to the partial disallowance of the substantial consumer interest expense deduction which was not offset by the decrease in tax rates for this individual as it was offset in Table 9. The nomina? decrease in 1998 tax liability occurred due to the further decrease in 1988 tax rates. Apparently the further reduction of tax mates in 1988 offsets the taxpayer's partial loss of the deduction. The results of this analysis were found to be that as income increases, taxpayers are impacted more by the loss of deductions since the decrease in tax rates will not fully offset the phasing out of this deduction.

#### CHARITABLE CONTRIBUTION EXPENSE

Under Section 170 of the current Internal Revenue Code a deduction for charitable contributions is allowed from adjusted gross income for non-itemizers for taxable years prior to 1987. However, under Section 170(i) of the Ocde and Section 133 of the Act this deduction will be terminated effective January 1, 1987.

TABLE 7
ANALYSIS OF CONSIMER INTEREST EXPENSE

TAXABLE YEAR	1986	1987	:968
TOTAL INCOME	25890	25008	25003
ADJUSTMENTS TO INCOME:			
MOVING EXPENSES EMPLOYEE BUSINESS EXPENSE	ე 750	FROM AGI FROM AGI	FROM AGI FROM AGI
TETAL ADJUSTMENTS	750	NENE	NONE
ADJUSTED GROSS INCOME	24250	<b>250</b> 09	25000
STEMSZED DEDUCTIONS			
MEDICAL EXPENSE	1166	1500	1500
ACTUAL	1455	:875	1375
FLOOR	1212.5		.u/.s
ALLOWED MEDICAL EXPENSE	242.5	IJ	•
TAXES EXPENSE INCOME TAXES	606,25	825	625
SALES TAXES	242,5	REPEALED	REPEALED
TOTAL TAXES	948.75	625	625
INTEREST EXPENSE		2500	2500
MORTGAGE ENTEREST	2425	3	2390
CONSUMER (PHASED OUT) * TOTAL INTEREST EXPENSE	0 242 <b>5</b>	2500	2503
MISCELLANEOUS EXPENSE			1125
EMPLOYEE BUSINESS EXPENSE	363.75	1125	540
LESS EMP BUS EXP FLOOR	HONE	500	
ALLOW EMPLOYEE BUSINESS EXPENS		625	625
MOVING EXPENSE	FOR AGI	ą	
ALLOWED MISCELLANEOUS EXPENSE	363.75	\$25	625
TOTAL PERMIZED DEBUCTIONS	3889	3759	3758
ZBAZSTANDARD DEDUCTION	2480	2540	3000
ALLOW ITEMIZED DED/STANDARD DED	: 407	3750	375
AG1-ALLOWED DESUCTIONS	22950	21250	2125
LESS PERSONAL EXEMPTION	1000	1900	195
TAXABLE INCOME	21779	1935D	1930
TAX LIABILITY	2507.6	3162	3083.
INCR/DECR IN TAX LIABILITY		-345. <i>6</i>	-424.
% CHANGE IN TAX LIABILITY		-0.09852	-0.3209

\* CONSUMER INTEREST EXP = 0



TWBLE 5
AVALYSIS OF CONSUMES INTEREST EXPENSE

TOTAL INCOME	25000	25000	25000
ADJUSTMENTS TO INCOME:			
MONING EXPENSES EMPLOYEE BUSINESS EXPENSE	1 750	890% ABI 980% ABI	FROM 431 FROM 461
TOTAL ADJUSTMENTS	750	*CNE	NONE
ADJUSTED BROSS INCOME	24250	25000	<b>25</b> 055
STEMBLED DEDUCTIONS			
MEDICAL EXPENSE			
ACTUAL	1455	1500	1533
PLOGR	1212.5	1875	1,675
ALLOWED MEDICAL EXPENSE	242,5	Û	ş
TAXES EXFERGE	.1. 55	625	625
INCOME TAXES	636.25 343.5	REPEALED	REPEALED
SALES TAXES	242.5 848.75	625	1012HLIV 52 <b>5</b>
TOTAL TAXES	248./0	eza	229
INTEREST EXPENSE			
MORTGAGE INTEREST	2425	2500	2503
CONSUMER (PHASES BUT) *	979	<b>65</b> 0	490
TOTAL INTEREST EXPENSE	3395	3150	5900
MI BOELLANEOUS EXPENSE			
EMPLOYEE BUSINESS EXPENSE	363,75	1125	1125
LESS EMP BUS EXP FLOOR	NONE	500	50°,
ALLOW EMPLOYEE BUSINESS EXPENSE		å2 <u>5</u>	325
MOVING EXPENSE	FOR 431	E	2
GUED MISCELLANECUS EXPENSE	\$46.75	<b>5</b> 35	e25
TOTAL ITEMIZED DEDUCTIONS	4852	440€	4159
23A/STANDARD DEDUCTION	2480	3543	3000
ALLOW ITEMIZED DED/STANDARD DED	2370	449Ç	4:50
460-ALLOWED DEDUCTIONS	21,899	20a08	29 350
LESS PERSONAL EXEMPTION	1390	1908	1950
TAXABLE INCOME	20666	18700	18909
TAX LIABILITY	3255.4	2980	2971.5
INCR/DECR IN TAX LIABILITY		-275.4	-283,7
X CHANGE IN TAX LIABILITY		<b>~</b> 0,0 <b>84</b> 59	-0.98720

\* CONSUMER INTEREST EXP = 4% OF A.G.I.

....al

TABLE 9
AMALYSIS OF CONSUMER INTEREST EXPENSE

TAXABLE YEAR	1986	1987	; 98B
TOTAL INCOME	25090	2500B	25000
ADJUSTMENTS TO ENCOME:			
MOVING EXPENSES EMPLOYEE BUSINESS EXPENSE	0 750	FROM AGI FROM AGI	From Agi From Agi
TOTAL HOUSIMENTS	75€	NONE	*ONE
ADJUSTED GROSS INCOME	24250	25000	25866
TEMIZED DEDUCTIONS			
MEDICA: EXPENSE ACTUAL FLOOR ALCUMED MEDICAL EXPENSE	1455 1212.5 242.5	1500 1875 9	1529 1975 0
TAXES EXPENSE INCOME TAXES SALES TAXES TOTAL TAXES	686.25 242.5 848.75	625 REPEALED 625	625 Repealed 625
INTEREST EXPENSE MONTGAGE INTEREST CONSUMER (PHASED OUT) * TOTAL INTEREST EXPENSE	2425 1940 4365	2588 1398 3800	2500 800 3388
MISCELLAMEOUS EXPENSE EMPLOYEE BUSINESS EXPENSE LESS EMP BUS EXP FLOOR ALLOW EMPLOYEE BUSINESS EXPENSE MOVING EXPENSE ALLOWED MISCELLAMEOUS EXPENSE	363.75 NONE 363.75 FOR AGI 363.75	1125 500 425 5 625	1125 500 625 0 625
TOTAL ITEMIZED DEDUCTIONS	5824	5050	4556
28A/STANDARD DEDUCTION	2480	2549	3000
ALLOW ITEM:ZED DED/STANDARD DED	3340	5050	4550
AG1-AULOWED DEDUCTIONS	20916	19950	20459
LESS PERSONAL EXEMPTION	1080	1900	1950
TAXABLE INCOME	19830	58059	18500
TAX LIABILITY	3003.2	2798	2859.5
SACR/DEER IN TAX LIABILITY		-205,2	-143.7
X CHANGE IN TAX LIABILITY		-5.06833	-0.04784

\* CONSUMER INTEREST EXP = 8% OF A.G.I.

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শিষ্টের চেট ১৯৯৯,১৯১৪ টেল বিজয়ে,১৯৮৮ চেল্টেম্বর হিন্দ্রপতিই ১৯৯১ চেল্ট

TAXABLE MEAR	1992	1987 	:958 <b>-</b>
75°45 (1.52°5	53601		50000
400.314€/TS <sup>#</sup> 0 PN73 <sup>4</sup> 5)			FF (tr. 43)
MONONS EXPENSES		4934 431 8934 431	771. 7234 <u>1</u> 3.
SHALITYEE GUSJMESS EXPENSE	1500		-, -
TOTAL LAGRISTMENTS	1500	NG4 <u>2</u>	KENE
ADBUSTED GROSS BARDYE	48501	50000	50101
IMEMITED DEBUCTIONS			
HESTOAL EXPENSE		Ar * *	5000
≏ÇTÇ <del>A</del> Ç	3918	9900 3750	2750
#100R	3425 485	37.3	-
ALLOWER MESTONE EXPENSE	100	•	
TAKES EXPENSE	(2)2,5	1255	.550
SNOCKS TAKES	435	# <b>2</b> FE4_E1	PERE4_2)
\$41.65 T40.65 70741 T4075	(897.5	1250	35
JHTEREST EXPENSE			51.2
YORTGAGE INTEREST	4653	5778 8	3
CONSIDER (PHASED COTIC)*	÷ 4850	4 507.5 507.5	509
MOTAL CMPEREST EXPENSE	<del>48</del> 59	200 -	
MIGOSELHARBUS EXPENSE	727,5	2250	325
SAFLOYEE SUSINESS EXFENSE	7 67 FS	557	135
LESS EMA BUS EXP FLOOR 4110, EMPLOYEE BUSINESS EXPENS		.250	.25
ACCOME EXSENSE	£38 ≃33		
ALLOWED MISCELLANGOUS EXPENSE	72 <b>7</b> 1.5	: 258	.35
TUTHU CTEMAGER DESACTIVARE	*7 <b>5</b> 6	7511	15.
SBAYSTANGARD (SEDUSTSON	2450	₹ <b>5</b> ×6	£1
ALLOW CREMITED SED STANDARD DEC	5281	*E	75
<u>≃61-A∟∟8477 0501677<b>0</b></u> 18	43220	42548	425
MESS SEASOMET EXEMELTON	.085	.501	:2
TAKABLE INCOME	42140	40 <b>6</b> 53	405
74). LIABRUTY	(313)	فع 100	F233
		-ć"	-194.
CACAYSEDR DA TAX USABSELTY		-1,498 <b>6</b> 0	w1,11,
ny thanage thy take liabbility		T. Medec.	
* IBMBIMER INTEREST BYF = 0		0.0	
		<i>a</i> 3	

THELE 11 ANHLYBIS OF CONSCRET INTEREST EXPENSE

TAWASES INSER	198e	1957	1988
TCTAL (NOPME	59300	500C	50000
ADDUSTMENTS TO DACOME:			
MOVING EXPENSES	2	FRGE 431	990° 433
EMPLOYEE BUSINESS EXPENSE	5500	FROM AGO	FR (M. 43)
TOTAL ACCUSTRENTS	1500	19VE	N3NE
40008760 38088 0NOME	48501	<b>5</b> 0098	E0000
[TEM:0080 08060T1@N6			
MEGRICAL EXPENSE		50.50	9000
407.94E	29:0	3000	
F_37)F	2425	3750	E75(
ADDIMEG WEDICHT EXEEMSE	495	;	*
TARES ENPENSE	. 4. 4. 5	. 500	.250
INCOME TEXES	1212.5	1250	
94USS T4XES	485	REPEALED	REPEALED
TOTAL TAXES	.e97.5	1251	200
INTEREST EXPENSE	4850	5000	<del>7</del> 000
MGRTGAGE ENTEREST		.500	900
CONSUMER (FRASED DUT) #	,940		590 593)
TOTAL ENTEREST EXPENSE	<sub>9</sub> ,790	<del>(39</del> 93	2217
MISCELLANGOUS EXPENSE	737,5	3251	92 <b>5</b> 1
EMALTI ES SUSTAGOS EXPENSE	YONE	,333	
LESS 514 BUS EXP FLOOR		1950	1.15 1.25
ALLIA EMPLOMES BUSINESS EXPENSE	72775	.227	-1
MOUTING EXPENSE	56€ 480 		1256
ALLOWED MOSCELLANEGUS EXPENSE	727,5	1 <b>25</b> 0	2541
1074L CTEMEZED SEBUCTRONS	9799	8800	5300
334/374N04R8   0E000710N	2486	3540	FII
ALLOK (TEMOZEO DEG/STANDARO DED	7221	8800	1382
ABBHABLOWED CEDUCTIONS	4) 280	49201	4,701
FEES SEKSONF EXEMPLION	1980	1411	् वर्षे हैं.
T4X48EE (N03AE	40,200	39300	32750
Tel DIABOLITY	9393,9	9409	9909.E
TWOR DEER IN TAX ELMBELLITY		215.2	+584,3
CO-PASE IN THY CHARGETY		9,322 <b>9</b> 68	-5.06223
t yorkob in Har Esablesin		0,022700	-2.,044

\* CGASIMER INTEREST EXP = 4% OF A.S.1.

a4\_\_\_\_

TABLE 12 AMALYEIS OF CONSUMER INTEREST EXPENSE

_	TAKABUS YEAR	1925	1767	1983
	TOTAL BROOKS	59900	50000	\$90 <b>0</b> 0
	400/97%5VT8 <b>T</b> 8 (NC <b>0%E</b> )			
	M3:343 EXPENSES	6	FF3* 46€	EB39 44]
	EMPLOMES SUSUMESS EXPRASS	1504	<b>şģ</b> β4 ⊞3.	\$\$\inf x = \inf x \]
	7074_ 403087HEVES	.222	P/G/E	1/2/E
	49009TEQ GREGO CHOCKE	48580	50055	50601
	TREK (1950   BETRUCT 1 @x8			
	MEDICAL BARBNES			
	-CT:AL	29(3)	3965	£01.
	F_83F	2425	\$750	9750
	HUNGLED MEGRICAL EXPENSE	-65	;	;
	TANGS EXPENSE			
	1/03ME T4XES	12:2:5	1,250	1.146
	SALES TAXES	485	REFEALED	9666-160
	TOTHE	1697.5	1250	. 250
	CNTEREST EXPENSE			
	HORTGAGE ONTEREST	<b>4</b> 2 <b>5</b> 9	5000	E377 1975
	CONSUMES (PHASED OUT) +	3880	2000	.e€F
	TETAL CHREREST EXPENSE	3730	7680	8895
	#{\$CE\_#k\$\$J\$\E%PE\\$B			
	EMPLOYEE BUSINESS EXFENSE	727,5	2256	32 <b>5</b> 1
	LESS EMPLEUS EXPLACER	HEME		 
	ALLOW EMPLOYEE SUSINESS EXPENSE		1250	1250
	MORING ENFERGÉ	FGR 480		
	ATTOMED WIRDERSHAMEERS ENGENEE	727.5	1250	1357
	TOTAL 175#1280 DEDUCTIONS	11,840	17114	Ÿ.::
	354-9TaxQ4F0 355U3T13v	3480	<b>25</b> 40	E
	ALLOW CLEASOES CES/ELAMORES DES	P1.60	19909	9 11
	43144 <u>1.545</u> 0 35335*15NS	39341	38970	- 1 m
	LESS PERSONAL EXEMPTION	1065	1800	[ <b>c</b> §]
	Texpels (NOTE	79240	39080	38950
	TAX 139ERLITY	₹\$56.5	\$354	9565. <u>°</u>
	(NERVIETA EN TAX L'08814771		397,4	-11.1
	th CHANGE TO THE ELABELITY		0,057459	-0.00 B20

<sup>+ 00%8</sup> MER (NTEREST EXP = 80 0F 4.6.1. <u>25</u>

Both the House and the Senate offered proposals on this deduction in their respective versions of the bill. The Senate's version agreed to keep the existing law, which provides for the repeal of this deduction after 12-31-86. The House proposed to retain this deduction, above a \$100 floor, in order to encourage taxpayers to make charitable contributions. The Conference Committee accepted the Senate's provision. A charitable contribution deduction is still available to taxpayers who itemize. The rules relating to the "itemized" charitable contribution deduction were not affected by the Act.

#### MISCELLANEOUS EXPENSES

Under current law there are four types of miscellaneous itemized deductions allowed. They include 1) certain employee business expenses covered under Section 162, 2) expenses of producing income covered under Section 212, 3) expenses related to filing tax returns covered under Section 212 and 4) expenses of adopting children with special needs covered under Section 222. Currently these expenses are deductible in full, and there is no floor for the deduction. Section 132 of the Act, however, imposes a 2% of adjusted gross income floor on most miscellaneous itemized deductions effective for taxable years beginning after 12-31-86. For example, if a taxpayer's adjusted gross income equals \$10,000 and the taxpayer's miscellaneous itemized expenses equal \$500, then only \$300 (\$500-(\$10,000\*.02)) will be allowed as a miscellaneous itemized deduction. Section 135 of the Act also repeals the miscellaneous itemized deduction for adoption

expenses.

In its version of the bill, the House proposed a 1% floor on miscellaneous itemized deductions and mepealed the deduction for adoption expenses. On the other hand, the Senate proposed repealing all miscellaneous itemized deductions except for the adoption expense and gambling expense, and set a 1% floor on those expenses. The intent behind both houses was to disallow certain miscellaneous itemized deductions that were being abused by taxpayers. Also, the committees felt that by setting a 1% floor, fewer taxpayers would be allowed to claim this deduction, which would, in turn, decrease the amount of recordkeeping required by taxpayers. The committees felt this deduction would still be available to those individuals who had an excessive amount of miscellaneous itemized deductions. With regard to adoption expenses, the Conference Committee agreed with the Mouse's propose:, thus repealing that deduction for taxable years beginning after 12-31-86. In deciding on a floor for the miscellaneous itemized deduction the Conference Committee agreed on its own floor of 2% rather than accepting the 1% floor proposed by both houses. The Conference Committee also agreed with the House's proposal to retain most of the currently allowable deductions except for adoption expenses (see List C).

The following six analyses illustrate how an individual's tax liability will be affected by the changes made in the calculation of the miscellaneous itemized deduction. In Tables 13 ,14, and 15 the taxpayer is assumed to have total income equal to \$25,000, and miscellaneous itemized deductions equal to 0, 1 1/2% and 3% of adjusted gross income, respectively. It is also

### LIST C

## EXAMPLES OF MISCELLANEOUS ITEMIZED DEDUCTIONS UNDER THE ACT

Union Dues

Professional Dues

Tax Return Preparation Fee

Professional Journal Subscription

Safety Deposit Box Fee

invæstment Fææs

Legal Fees

Registration Fees

Business Lunches

Education Expenses

Work Uniforms

All Other Unreimbursed Employee Business Expenses

assumed that there are no employee business expenses claimed for adjusted gross income. In Tables 16, 17, and 18, the taxpayer is assumed to have total income equal to \$50,000, and miscellaneous itemized deductions equal to 0, 1 1/2% and 3% of adjusted gross income, respectively. The results in Table 13 show that when the taxpaver has no miscellaneous expenses a 10% decrease in his tax liability is experienced due to the decrease in tax rates under the new provisions. In Table 14 the taxpayer experienced a 7% decrease in his tax %:ability due to the decrease in tax mates in 1987 and 1988. In Table 15 the taxpayer experienced a 7% decrease in his 1987 and 1988 tax liability due to the decrease in tax mates under the Act. With \$50,000 of total income and no miscellaneous expenses the taxpayer experienced a nominal decrease in his 1987 tax liability, and a 9% decrease in his 1989 tax liability as seen in Table 16. The nominal change in 1987 is due to the decrease in average tax rates, and the significant decrease in 1988 is due to the continued decrease in tax mates. In Table 17 the taxoayer experienced a 2% increase in his 1987 tax liability and a 7% decrease in his 1988 tax liability. The increase in 1987 was due to the increase in average tax rates, and to the decrease in the deduction allowed, and the decrease in 1988 was due to the decrease in tax rates. In Table 18 the taxpayer experienced a 3% increase in his 1987 tax liability and a 5% decrease in his 1988 tax liability. The increase in 1987 was due to the increase in average tax rates and the decrease in 1988 was due to the decrease in tax rates. The results of this analysis were found to be consistent with the results in the

experience an increase in their 1987 tax liabilities since the decrease in 1987 tax rates will not compensate for the loss of these deductions. However, the continued decrease in 1988 tax rates will be drastic enough to compensate for the loss of deductions to higher income individuals.

## EMPLOYEE BUSINESS EXPENSES AND MOVING EXPENSE

Under Section 62 of the present Internal Revenue Code, a deduction is allowed for adjusted gross income for certain trade and business deductions incurred by employees. The following expenses qualify for this deduction 1) expenses incurred for travel away from home (e.g. meals and lodging) covered under Section 62(2)(B), 2) transportation expenses covered under Section 62(2)(C), 3) qualified expenses incurred by an outside salesperson, and 4) moving expenses covered under Section 217. While these expenses are deductible for adjusted gross income there are some employee business expenses which may only be deducted from adjusted gross income under the current Code. These expenses include all nonreimbursed employee business expenses other than travel and transportation expenses and outside salesperson expenses. Included in this group are union and professional dues, continuing education expenses, and subscription fees paid to professional journals. Under, Section 67(b)(2) of the Act, however, only reimbursed employee business expenses will be deductible for adjusted gross income. This means that all nonreimbursed employee business expenses, including travel and transportation expenses, will only be

TABLE 13 ANALYSIS OF MISCELLANEOUS EXPENSE

TAR4516 11849	:486 	: 25.7	.933
TCTHL INCOME	25900	25056	25000
40JUSTMENTS TO INCOME:			
M9-149 E49E4655	2	FR96 43)	FF0H #30
SMPLOMEE BUSINESS EXPENSE	3	AROM AGI	<b>#03</b> 4 433
TOTAL ADJUSTMENTS	:	NOVE	¥ÇVE
ASSESTED GROSS THOSME	25905	25000	\$5000
(TEH:::E0 06000T::9N6			
HESISSAL EXPENSE			
437. <del>44</del> 1	.597	.593 1222	. =
FLOOP  - North Medical Englisher	1250 250	137 <b>5</b> 1	2 E 75
AULDWED MEDICAN EXPENSE	546	•	
THIES EXPENSE	.55	4.25	ež:
SNGOME TAXES SALES TAXES	∜25 257	REPEALET	92. 989 <u>2</u> 4[8]
TOTAL TAKES	375	-4E	=21
ENTEREST ERRENSE			
4091648E (MTEREST	2560	2533	250
CONSUMER (PHASES COT)	1000	550 3150	49 390
TOTAL INTEREST EXPENSE	3500	\$14:	276
HISSELLANEOUS EXPENSE	4		
MİSCELLANEGUS ERREMSES * LESE FLOCK	9 NGME	6 508	53
46_3983 M333866448398 EKREMS		)	
MOVING EXPENSE	F(R 66)	5	
TOTAL MISCELLANGUUS EXPENSE	3	7	
13101 CLEWSSED BESTOLDMS	45 <u>25</u>	3775	252
1 <b>94/379000</b> F6 0E0007700	24 <b>8</b> 0	2540	300
ALLOW STEMIZES DEDVSTANSARD DE	5 2,45	8775	191
961-41134EN 055VCTIONS	22955	2:225	3,47
LESS PERSONAL EXEMPTION	494	∫ <b>e</b> tt	. टब्
THXMBLE INCOME	21. <sup>178</sup>	:9325	.93
747 L1481617F	8533.9	2125	3 46.
INCREDEDRICH THE CHARGEOTY		-353,∜	-252.
% THANSE IN TAN LIMBILITY		-01.10185	-0.4792
* MISC EXP = 0			
		31	

TABLE 14 - KANALYSTE - DF HILSSELLANETIS - EXPENSE

TAXABLE TEAR	:786 <b></b>	:737 	.573
TETAL INCOMÉ	25000	35000	3511
ASSUSTMENTS FO CHÓPHE!			
MOVING EMPERSES	ε	FROM #61	55 (m. 12) 55 (m. 12)
54673488 B0834888 8458789	0	FR3* A61	edi⊶ ≂d
TOTAL ADDUSTMENTS	3	NEHE	n@vE
483181ED GRESS GNODME	25000	<b>35</b> 868	설분성 J.
(FEMICED DEDUCTIONS			
MESICAL EFFENSE		.=	=4
يفن آنٽ مارم	1513 1351	1589 1975	.50 .57
ALCOS ALJONEO MÉDICAL EXPENSE	250		•
	201	•	
TAKES EXPENSE	52 <b>1</b>	<u>-25</u>	±2
[NOOME TAKES 84_88	250	111 12264150	95954[5]
54155 - 155 77741 74155	375	:25	52
. INTERSET EMPENSE			
M097646E (1975986T	3571	1511	251
DOWSLINER (PHASED 38T)	1333	∌51 3150	41 390
FRFAL RNTERÉSÍ EKFENSÉ	3 <b>5</b> 00	2.30	272
MOSGELLAMEDUS EXPENSE MOSGELLAMEDUS EXPENSES +	375	375	<u>;</u> -
LESS FLOOR	NOVE	560	- 50
ALLIGNED MISCELLANEOUS EXPENSE	375	0	
MONING ENPENSE	F39 46]	٤	
TOTAL MISCELLANEGUS EXPENSE	<b>375</b>	Ī	
TSTAL (1640266 36330T3648	5000	9775	353
384/814V64R6_8E9V0110N	2480	3540	766
HULCO ITEMIZED DECHETAMOARD DED	2830	\$77 <b>5</b>	35.3
961-4610WED DEDUCTORNS	22490	21225	2147
TESS REBACKAT EXEMPTION	1593	-970	175
T4x4813 (%09ME	\$1403	19325	. 253
T4: 1148111T1	5411.4	3.57	E 5,
THE CHORN BEDRICK TWO LIABSICITY		-35á.4	-3e4 ·
N CARNOS DA TAX ELABILITY		-1.4751E	
<ul> <li>MISC EXP = 1 1/2% OF A.R.I.</li> </ul>			
		<i>.3</i> 2	

TABLE 15 AMALMB19 OF MISIBLANELS EXPENSE

THARBLE 784R	.988	.95 <sup>-</sup>	.989
TOTAL INDOME	28660	7#061	3500
ADDISTMENTS TO (NOTME)			
104058 E42 <b>5466</b> 8	ð	FR8M 461	FR (** 44)
EMPLOMEE BUSINESS EXPENSE	3	FROM ASS	FRUM PRO
Total Addustrems	\$	1404E	VC/√E
ADFIBRED BROBS INCOME	25800	25036	25300
FTEMILED GEGLATIONS			
MEDITAL EXPENSE			
ECTy <b>a</b> u	:500	1500	: <b>5</b> 69
FU009	:251	1875	1375
ALLÖVÉS MESICAL EXPENSE	356	:	
Takas arebias Biograficakas	527		
84LES T41ES		:25	±25
76745 F4488	250	REAE4UEC	95954LES
	\$ <b>7</b> €	£25	±25
OMTEREST EXPENSS MORTAMES OMTEREST	2500	151.	
DOMESMER (PHASE) CUTH	1300	451	357
TOTAL CATEREST EXPENSE	253.	65. 3159	425 2807
	202.	) 12	4f.,
#1995ELL#NEGUS EXPENSES +			
1838 FLOOR	750	150	12A 571
	7- <b>3</b> 74E	5.1	57.7
ALLÓWES MISCELLANEGUS EXPENSE HOWARD EXPENSE	750	280	350
MOMINS EXPENSE TOTAL MISSELLANEOUS EXPENSE	F8R 46;	8	
	752	359	251
FOTAL OTEMSSED DESCRIPTIONS	5375	4025	3778
25e/27#k3480-05000716N	9480	2546	3000
AUCOR (PTSY)CEO (0607574A0ARO (080	2805	4026	\$7.15
490-4612469 0688070848	22:15	20975	2:335
JESS PERSONAL EXEMPTION	3089	1905	.980
TAXABLE INCOME	2:025	19075	.9275
T4Y 11251117	93:5.7	93 <b>9</b> 5	E. 6720
 INCRYCECO IN THE LIABILITY		-238.5	-257 4
N SHANDE DA TAK UDABOLOTA		-0.78807	-0.17182
A MINE THE PROPERTY OF A REAL			

\* MISC EXP = 3% GF A.G.1.

33

14816 (4 HMADYSUS OF MISCELLMAEBOS EXFERSE

TA146.5 1848	1986	1997 	.933
TOTAL CHOCHE	50000	E011	E0101
ASSISTMENTS TO INCOME.			
MOVENS EXPENSES	9	₹ <b>୧</b> ଫୁ୯ ଘର୍ଗ୍ର	##5% 460
EMPLOYEE BUSINESS EXPENSE	ξ	FR0m (42)	FR0M 460
TUTAL ACCUSTMENTS	:	≒GhE	138
ACCUSTED GROSS (ACCOME	58100	50000	53000
TTBM02E9 3589673GNS			
MEDICAL EXPENSE			
et to	3006	3000	2835
F_30R	2560	â1 <b>5</b> 0	3759
ALLDWED MEDICAL EMPENSE	500		• • • • • • • • • • • • • • • • • • • •
TAXES EXPENSE			
GROOME TaxES	. 253	1 250	250
SALES TAKES	500	REPE≏LE0	85054755
TGT4L TAXES	175)	: 250	1250
STEREST EXPENSE			
MORTOAGE INTEREST	5000	5000	₹000
CONSUMER (PHASED CUT)	2300	1970	<u> </u>
TOTAL INTEREST EXPENSE	701.	5397	<b>5</b> 000
MOSCELLANEGUS EXPENSE			
#1805LU4N60US EXPENSES ⊀	2_	2	9
LÉSS FLOCR	NONE	342	1990
AULDWED MISSELLANEGUŞ EXPENSE	9	2	:
MOVING EXPENSE	FOR 421		1
FOTAL MISSELLAWEOUS EXPENSE	:	•	:
TOTAL ITEMERED SECURITIONS	9250	7550	7281
384/97-W34R0 05005733W	2480	2540	9960
ALLES TEMICES DELVETARDARD DEC	4775	発言を対	7650
431-44184E5 DEDUCTIONS	43234	42450	42750
LESS PERSONAL EXEMPTION	(989)	1900	[8 <b>8</b> ]
TARABUE INJURE	42,59	4055(	41000
T44 L0481.0TH	19134,8	10040.5	915978
VAQUANCEER ON LAK FOURBIFELA.		-83.3	+°₹₹.3
0 044888 ON TAU 2(48:1379		<b>-0</b> ,09870	-0,65828

\* M160 EXP = 0

\_34\_

TABLE .T ###LYB1S DF MISCELLAMEDUS EXPENSE

1474815 (56R	19Se	1967	.435
TOTAL INCOME	50000	E000	5000
ADOUGHMENTS TO INCOME!			
MO TNO EXPENSES EMPLOYEE EUSTMESS EXABNAE	:	c804 (50) 5504 (40)	FROM 431 FROM #30
7079£ 43%357₩ <b>5</b> 878	٤	<b>7</b> %€	NOVE
48088TBB GROSS CHÓDME	50090	<b>#0</b> 991	EVANC
THEY TOES DESCRIPTIONS			
MEDICAL BURENSE AUT AL RECOR ALIGNED MEDICAL EXPENSE	9905 <b>25</b> 99 500	3000 3750 1	9611 975 1
THRES ERPENSE ENCORE CARES ALES TARRES TOTAL TARRES	350 580 1750	.150 AEPEALE1 1250	:350 7556 1200:
: CHERSOT EXPENSE MORTGAGE EXTEREST DEAD MER (PRASED DUT) TOTAL EXTEREST EMPENSE	5990 2002 1900	≣600 1361 €300	857 857 5500
MISCELLAMEGUS EXPENSE MIGGELLAMEGUS EXPENSES * LESS FLOOR RUCURES MIGGELLAMEGUS EXPENSE MOUNTS EXPENSE TOTAL MIGGELLAMEGUS EXPENSE	FDR 481	780 2060 1 3 3	
TOTAL ITEMIZED DEDUCTIONS	;5777	*543	7050
IBA/STANDARD DEDUCTION	3490	2540	2023
HQQQA STEMOQEB DEGMSTANDARD DEC	7522	755)	7050
497-4110AED 05000770N8	42483	<u> </u>	42953
TERR SELECTION	1081	1955	1957
TAXABLE CYCCME	41400	40559	41000
TAX EIABILITY	9849,8	10046.5	9159.5
77 (M.CR/SESP IN 74X 18991117)		}\$ <sub>*</sub> ,7	+990. T
N CHANGE (A TEX CLASSICITY		5,339060	-2.77213
* MISS EXP = 1 1/2% OF A.S.S.			

-

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TABLE 18 ANALYSIS OF MISCELLANEOUS EYPEKSE

74,48 <u>.8</u> 1 <u>8</u> 48	1935	1957	1988
13147 (MSAE	53000	E277	F0600
4029574EV75 TC (NEGME)			
MOLING EXPENSES	ē	FR0m =00	FF(** 46)
EMPLOYEE BUSINERS EXPENSE	(	FE01 431	FR[M 43]
707AU 4333 <b>57YE</b> N78	0	±X€	NA
ABBLISTED BROSS INCOME	52000	59000	50000
TTEMUSES DEDUCTIONS			
MEDICAL EXPENSE			
ACT SALL	3860	3660	3365
FL394	2500	97 <del>5</del> 0	2753
ALLOWED MEDICAL EXPENSE	500	Ĉ.	5
TAKES EXPENSE UNOCHE TAKES	±2 <b>5</b> 6	. 250 250	1256
SALER TAXES	500	REPEALES	98966.60
16740 74858	: "50	: 250	1259
. INTEREST EXPENSE			
MORTGAGE (NTEREST	5000	E183	E903
CONSUMER (PHASES BUT)	2000	1398	500
TOT#L INTEREST EXPENSE	7090	447.1	590)
MISCELLANECUS EXPENSE			.500
MOSSELLANEOUS EXPENSES *	. 500 NONE	1500 1711	. 755 :063
LESS FLOCA ALLOWED MISCELLAMISOUS EXPENS		500	E00
ADVING EXPENSE	50R 431	.,.	-00
TOTAL MISCELLANEOUS EXPENSE	1506		for
TOTAL IMEMIZED BEDUCTIONS	19750	5050	7557
ISAV STANISARO DEDUCTION	348)	<u>2540</u>	3370
ALLOW CTEMIZED DEC/STANDARD DÉC	5270	3950	745
457-9510AED 0ED0071QH9	41,730	41750	13450
LESS FERSONAL EXEMPTION	1389	1900	1930
T245 <u>818</u> (NSC#5	40459	40,359	40520
TAX LIMBILITY	9834.8	<b>987</b> 81 <b>5</b>	9019.3
TI (NORVOEDRICK TAX USASSICTY		306.7	-545.3
% CHANGE IN THE LIABILITY		9,082045	-0.05T01
• "(80 EXP = 30 OF A.B.I.		21	
		.36	

deductible to taxpayers who are able to itemize. Under the Act, moving expenses will also be deductible only as an itemized deduction.

Section 142 of the Act places further restrictions on the deductions claimed for mea! expenses, entertainment expenses, and centain travel expenses. In order to deduct any expenditure made on meals, food on beverages, Sections 142(a)(K)(1)(A) and (B) of the Act state "such expenses cannot be lavish or extravagant under the dircumstances, and the taxpayer (or an employee of the taxpayer) must be present at the furnishing of such food or beverages." With regard to entertainment expenses, Section  $142(b)\left(!\right)\left(!\right)\left(A\right)$  of the Act limits the amount of the deduction to the fair market value of the activity. Furthermore, with regard to both the meas deduction and the entertainment deduction. Section 142(b)(n)(1)(B) of the Act states that, "the amount allowable as a deduction for these expenses shall not exceed 80% of the amount of such expense." Lastly, Section 142 (b) (m)(1)(A) of the Act disallows any deduction for educational travel, and limits the luxury water travel deduction to two times the aggregate per diem amount allowed for certain government employees.

To better understand the effect of the new provisions, an example is helpful. Assume a taxpayer has adjusted gross income of \$75,000 and incurrs the following expenses in his employment: 1)  $\pm 2,500$  of unreimbursed transportation expenses, and 2)  $\pm 1,000$  of unreimbursed entertainment expenses. Under current law, the taxpayer would deduct the expenditures as follows:

- \$2,500 of transportation expenses as a deduction for adjusted erpss income.
- \$1,000 of entertainment expenses as a miscellaneous itemized deduction from adjusted gross income.

Thus the taxpayer's total deductions would equal \$3,500, assuming he is able to itemize.

Under the provisions of the Act, the tampayer would realize an \$1.800 miscellaneous itemized deduction computed as \$1.800

- i. \$2,500 = unreimbursed transportation expenses
  - 800 = allowed unreimbursed entertainment expense (80% \* \$1,000)
  - 3,300 = total deduction before floor
  - 1.500 = 2% of A.S.I. (2% \* \$75.000)
  - $\pm 1.800$  = total allowable deduction

As a result of the new provisions, the taxpayer in this example would lose \$1,700 in deductions (i.e., \$3,500-1,800).

Basically, the Act only allows a deduction for adjusted gross income for reimbursed employee business expenses, and it reclassifies the current "above the line" deductions to miscellaneous itemized deductions for nonreimbursed travel and transportation expenses, and moving expenses. Since this is the most complicated change made with regard to itemized deductions, careful study of the House's and the Senate's versions of the bill is helpful.

The House and the Senate developed different proposals on calculating the allowable deduction for business related meal expenditures. The Conference Committee accepted the Senate's version of the bill subject to a few modifications. The Act states that in order to claim a deduction for a business meal

expense; the meal must have a clear business purpose. That is, business must be discussed either before, during, or after the meal. The Conference Committee rejected the Senate's provision requiring that a specific business transaction be discussed in order to claim this deduction, and instead stated that only a general business discussion need take place. The Conference Committee also rejected the Senate's proposal that required substantiation for all meal expenditures, including those under \$25, and instead, retained the present substantiation rules. The new provisions require that if a deduction for meals is to be claimed the following provisions must be met: 1) the expense must have a direct relation to some type of business discussion, 2) an employee or the employer must be physically present at the meal, and 3) the expense must not be lavish or extravagant. All of these requirements were included in the Senate's version of the bill. These provisions are required to be met for business meals incurred on out-of-town business trips, and meals incurred on out-of-town medical trips.

The Conference Committee also followed the Senate's version of the bill concerning the deduction for entertainment expenses. The Senate limited the entertainment deduction to the face value of the entertainment ticket. For example, if a taxpayer pays a "scalpers" price for a ticket to an entertainment event, only the face value of the ticket will be allowed as a deduction. It is important to note again that the Act implemented a major change in the calculation of both the meal and entertainment deductions. Effective for tax years after 1986, only 80% of such expenses

will be deductible, as compared to the full deduction that is correctly allowed for such expenses. This 20% disallowance was proposed under both the House's and the Senate's versions of the bill. Furthermore, in addition to the 20% disallowance, the expenses will be allowed only as a miscellaneous itemized deduction.

The last employee business expense deductions that will be addressed in this paper are the deductions allowed for travel expenses. There are four types of travel expenses: 1) luxury water, 2) educational, 3) charitable, and 4) conventional. Each type will be discussed separately. All of the travel provisione are effective for taxable years beginning after 12-31-86.

The House and the Senate offered the same proposal concerning the deduction for luxury water travel. The proposal stated "the allowable deduction would be equal to two times the per diem amount allowed for employees of the executive branch of the Federal Government for travel while away from home but serving in the United States, multiplied by the number of travel days." The Conference Committee agreed with this provision.

The provision for the educational travel deduction was identical in both houses, and the Conference Committee accepted the provision. Under Section 142(b)(2) of the Act, no deduction will be allowed for educational travel expenses, where the travel, itself, is deemed to be educational. The Conference Committee felt too many taxpayers were abusing this deduction by claiming recreational travel expenses as educational travel expenses. Because of this, the Conference Committee did not want to allow a deduction for educational travel expenses if the

purpose of the travel was really recreational. However, expenses incurred while traveling to and from a qualified educational event will remain deductible as an educational expense. For example, travel expenses incurred while traveling to and from an AICPA conference on the Tax Reform Act of 1986 will be allowed as a deduction for an individual who may claim the costs of this conference as an educational expense.

The Conference Committee accepted the House's proposal on the deduction for charitable travel expenses. Therefore, under Section 142(k) of the Act, no deduction will be allowed for travel expenditures incurred in a charitable activity unless no significant element of personal pleasure, recreation or vacation exists in such travel. The purpose behind this change was to prevent taxpayers from claiming a deduction for charitable travel expenses, where the travel involved a great percentage of personal recreation.

castly, with regard to travel expenditures incurred for conventions, the Act allows a deduction for such expenses only if the purpose of the convention or seminar is business-related and not investment-related. This provision is consistent with the proposals of both the House and the Senate. The intent behind the law is to disallow a deduction for travel expenses incurred on investment-related seminars that are held in resort-type environments.

The following six analyses illustrate how an individual's tax liability will be affected by the above changes made to travel and transportation expenses. In Tables, 19, 20, and 21,

the taxpayer's total income is assumed to be equal to \$25,000. and his travel and transportation expenses are assumed to be equal to 0. 3% or 6% of total income. In Table 19 the taxpayer experienced a 7% decrease in his tax liability due to the decrease in tax rates. In Table 20 the taxpayer experienced an 8% decrease in his tax liability due to the decrease in tax rates. In Table 21 the taxpayer experienced a 10% decrease in his tax liability due to the decrease in tax rates. In Tables 22, 23, and 24, the taxpayer's total income is assumed to be \$50,000 and his travel and transportation expenses are assumed to be equal to 0, 3%, or 6% of total income. In Table 22 the taxpayer experienced a nominal change in his 1987 tax liability and a 7% decrease in his 1988 tax liability. The minor change in 1987 was due to the increase in average tax rates and the decrease in 1988 was due to the decrease in tax rates. In Table 23 the taxpayer experienced a 2% increase in his 1987 tax liability and a 6% decrease in his 1988 tax liability. The increase in 1987 occurred since the decrease in tax rates did not offset the loss of the deduction completely. The decrease in 1988 was due to the decrease in tax rates. In Table 24 the taxpayer experienced a 2% increase in his 1987 tax liability and a 5% decrease in his 1988 tax liability. The increase in 1987 occurred since the loss of the deduction was not entirely compensated for with the decrease in tax mates, and the decrease in 1988 was due to the decrease in tax rates.

The next six analyses illustrate how an individual's tax liability will be affected by the changes make to the moving expense deduction. In Tables 25,26, and 27, the taxpayer's total

TABLE 19 ANALISIS OF EYFLOYEE BUSINESS EXPENSE

Teknēje (1948	1936 	1927	3998
7074, 0x00ME	25000	25990	25:23
45018THEMTS TO INCOME:			
MOMING EXPENSES	:	무료합의 소송기	750× 400
EAFLOMEE BUBINESS EXPENSE *	3	유명한 4년() 유명한 4년()	RROM 430
TOTAL ABOUSTMENTS	;	4240	90%E
ADGUSTED BROSS ENDOME	2 <b>5</b> 899	25000	25:::
CTEMICES DEDUCTORAS			
MESICAL EXPENSE			
437.9A <u>s</u>	.245	1500	1586
FLECR	1250	1675	1975
ALLOWED MEDICAL EXPENSE	252	· · ·	
TAKES EXPENSE			
INCOME TAXES	625	625	825
SALES TAXES	250	REPEALED	REPEALED
fîTA, TaxEô	378	\$25	525
INTEREST EXPENSE			
MORTGAGE ENTEREST	<b>35</b> 90	2500	25%
SGMSUMER (PHASES OUT)	1096	<i>6</i> 5(	490
TOTAL INTEREST EXPENSE	3590	32.50	2790
MIROELLANEOUS ERPEVSE			
MI SORULAMEĞUĞ EKRENSES	375	175	375
1888 FLIDR	AGAE.	500	ĒQ.
ALLEGED MISSELLAMESUS EKABNSE	375	6	-0.
MOVENE EXPENSE	F8R 431	<u>:</u>	
TOTAL MISSELLANEOUS EXPENSE	375	:	
TOTAL LITEMNIED DEDUCTIONS	5000	E\$	2525
284V 874N94R5 (050,000)@N	2499	2540	3593
HULDK [MENGRED BEC/SMANDARD BES	2520	977 <b>8</b>	3525
431-91.DARS DEBUGTIONS	32480	2:225	21475
LESS PERSONAL EXEMPTION	:089	1900	19 <del>5</del> 8
THRABLE INCOME	21400	19325	19825
Tex LiaBiLIT+	3414.4	3:55	3:45.5
CAGRAGEOR CALITAX LEA <b>S</b> COOTE		-25 <sub>6</sub> .4	- <u>22</u> 4.3
CHENSE IN TAX ( ) ABILITY		+2.0780 <b>5</b>	-0.87745

\* <u>EMP</u> 308 EXP = 9

TABLE 23 AMERISES OF EMPLOYEE BUSINESS EMPENSE

THAMBLE NEAR	:º86	1987	1988
TeTAL UNIDARE	25204	25296	25300
400USTMENTS TO INCOME:			
HENDNÓ EXPENSES	9	F\$3* 46]	FROM ASI
EMFLCMEE BUSINESS EXPENSE →	750	FR04 493	990M HS(
T0TA40,408 <b>TME</b> NT8	750	1987-18	NONE
40056783 GROSS (NOSME	24250	256el	381
FTEMICEB GERUSTIONS			
MEDICAL EXPENSE			
SCT SHE	1455	1500	(50A (50A
FLCOR	1213,5	1875	1975
ALLOWED MEDICAL EXPENSE	343,5	-)	•
TAXES EXPENSE		325	625
DIGTHE TAXES	606,25 242,€	REFEALES	25254750
\$4156 T4XES	24375 848,75	625	5 E
TOTAL TAXES	\$#\$4.1	714	
:NTEREST EXPENSE			
HORTGAGE CATEREST	2425	3500	220
CILASMER (PHASE) QUIT	977	650	400 2900
TCTAL (MYEREST EXPENSE	3395	B0E3	2790
MISCELLANEGUS ERPENSE			15
MISCELLANEGUS EXPENSES	363.75	: .25	25 500
LESS FLOOR	NÚNE Transport	\$28 €25	525 525
ALLINES MISCELLANESIS EXPENSE	353,7 <b>5</b> FOR AGI	TAL.	
HRUPNS EXPENSE TOTAL MESSELLANEGUS EXPENSE		525	7 <u>2</u> 2
TOTAN, CTEMIZÉD DEDUCTIONS	4950	4496	4,50
3 <b>94</b> /574NC4R0 (3E9UCT1CN	9486	2540	8000
HELEST TYPMYCHE BEDVETHYBARD BED	<b>2</b> 370	4401	4,81
AS: HALLEGIËS DESUSTIONS	21,200	27600	199 <b>9</b> .
LESS FERSONAL BYEMPTION	1181	1933	1971
THRHBUE INCOME	29609	18700	.8998
74 - L1481217:	9255,4	2983	297115
INDR/SECR IN TAX LIABILITY		₩ <u>₹</u> 77₹,≰	-252.1
DECEMBER 14 TAX (1988)(179		-0.0845P	-0.705720
* \$5% BUS EXP = 3% OF A.B.1.		rad.	
<ul> <li>알바 BUS EXP = 3% 인F À.G.1.</li> </ul>		44	

\*ABLE D. AMALYBIS OF EMPLIYEE BUSINESS EXPENSE

THAMBLE ITEAR	1786	;987 	1988
FETHL INCOME	25000	25089	25000
ABBOSTMENTS TO UNCOME:			
HQUQNG EXPENSES	<u>′</u>	FROM AGE	FRSM WST
EALFOAEE BOSINESS EXHENSE *	1533	FR94 451	FR0# 433
TOTAL HOUGHMENTS	1500	7392	9645
ADCHREED PROBE INCOME	28891	2500	25000
OFFMORED DEDUCTIONS			
MEGRICAL EXPENSE			
غارة ليفا <sub>ل</sub>	1419	. 506	.511
F_00A	3.75	1875	:575
ALUGAED MEDICAL EXPENSE	235	9	7.3
TAKES EXPENSE	•••		
GIODME 74XES	587.5	825	:27
SALES TAKES	235	REPEAUED	PERSALES
TOTAL TAXES	532.5	625	5 <b>2</b> 5
CATEREST EXPENSE			
MORTSAGE ONTEREST	2856	2500	3500
03%35%ER (RMASE) 057:	₹48	a57	455
TUTAL PATEREST EXPENSE	3250	8:50	1400
MISCELLAMEGUS EXPENSES MISCELLAMEGUS EXPENSES			
	352.5	1275	1875
LESS FLOOR	NONE	500	500
POLIGHES MISCELLANESUS EXPENSE		1375	1375
MOUTING EXPENSE	FOR ASI	•	ī
TOTAL MÉSCELLANEDUS EXPENSE	352,5	. <u>2</u> 78	: : 7 6
FOTAL CTEMORED DEDUCTIONS	4790	5.50	4911
284/574MBARR DEBUGTERA	2480	2543	\$200
HILIA ITEMIZEE DEDMETAADARD DED	2220	5:51	4900
ABI MALLOLED DEBUCTIONS	2:280	19850	31.11
LESS RERECOVAL EXEMPTION	1969	:400	1956
TAXABLE INCOME	28266	:7452	13151
faX LIABILITY	3046.4	277)	ŞT¢£√5
SHOP/DECE IN TAX (1948)_17-		4326,4	<b>~</b> 337,4
3 GH443E (N T4F) LEH5ILETY		-0.10627	-6,10962

• EMP 8US EXP = 6% OF A.S.I.

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TABLE 22 AMALYSIS OF EMPLOYEE BUSINESS EXPENSE

TAVABLE YEAR	:986	1957	1958
TOTAL INCOME	fácaa	E. 300	55000
#800ETMENTS TO INCOME:			
MOUDNO EXPENSES	i	FROM 461	FROM 431
EMPLOMES BUSINESS EXPENSE •	ê	FP01 461	ନିକ୍ତର ଲଗିପ
TOTAL ADJUSTMENTS	3	NONE	ninē.
ADDUSTED BROSS INCOME	52600	51380	50000
(TEMORED DECUCTORNS			
MEDICIAL EXPENSE			
يهو⊤يّه	8060	2003	3011
4_00#	2500	2756	9750
ALLÍNES MESSICAL EXPENSE	52.5 525	:	7
TAKES EXPONSE			
PHODME TAXES	1250	1250	.251
SAUES MARES	566	REPEALE1	REPEALED
TITHL TAXES	1781	.25)	.157
OKTERAST EKPENSE			
ASRTG+GE CATEMEST	5800	5000	E71
CONSUMER (PHASSS CUT)	2135	1376	E3.
TOTAL INTEREST EXPENSE	FCCC	á ŝ	FEE
miscelumatus expense			
MISCELLANEOUS EXPENSES	750	*50	759
LESS FLOOR	40%E	1000	1123
AULDAFO MOSCEUJANFOUS EXPENSE	756	2	
MOVING SKRENES	FQR △61	i i	
TOTAL MESCELLANEOUS EXPENSE	750	ä	
TCTHU CTEMICES QEDVCTICAS	10005	7552	T0 <b>5</b> (
334/57 <del>44/84</del> 88 350007184	2439	2540	9979
HALON CTEMCTED BESKEMANGMARD DES	7420	755[	7950
ASI-≃ULALES SESSOTIONS	43485	42453	42950
LESS FERSONAL EXEMPTION	1999	,W]	1950
TAKABLE INCOME	41,460	40550	45501
TAX LIMBILITY	8845°Ş	12346,5	9,59,5
Cherybeor da Tabligaeoloth		19a.T	-E <b>9</b> 0.3
N DHEAGE IN THE LIGHERLITY		£,¢;\$\$¿\$	#0.07008

\* **8**9**7** 333 EXP = 0

TABLE 29 AMACMSTE OF EMPLOYEE SUSTINESS EMPENSE

	FAKABLE MEAS	;795	1997	1985
	TOTAL INCOME	5866	<b>8</b> 5101	E010)
	40316TMENTS TO 1X20ME1			
	MOVING EXPENSES EMPLOYEE BUSINESS EXPENSE +	† 1519	FROM 46) FROM 46)	79(gr A3) 8904 400
	TOTAL ASJUSTMENTS	1501	SCHE	NC4E
	ADDUEMED SROSS INCOME	49579	52390	50020
	07840783 0856071648			
	MEDICAL EMPENSE ACTUAL FLECK FLECK FLECK FLECK FLECKENESTOAL EXPENSE  TAKES EXFENSE CNOTHE TAXES SALES TAXES TOTAL TAXES	2916 2425 488 12.3.5 488	3098 3750 0 0 250 REPEALED	3000 3730 1 1251 32924_21
	: NTEREST EXPENSE	: 697.5	.350	.350
	MORTBAGE ENTEREST CONSUMER CHAMPED COTTY TOTAL COTEREST EXPENSE	4650 1 <b>94</b> 9 4793	5316 1896 5857	5000 800 8800
	TISCELLANESUS EXPENSE  YISCELLANESUS EXPENSES LESS FLOOR ALLOLED MISCELLANESUS EXPENSE MO ING EXPENSE TOTAL MISCELLANESUS EXPENSE	727,5 NGNE 727,5 FOR 460 121,5	2251 1696 2257 6 1259	2053 01010 1257 1253
	TOTAL INEXIZED BEDUCTIONS	9766	8800	8500
	394/ST#M5490 DEDUCTION	2480	2549	3200
	ALLOW (TEMISED DED/STANDARD DED	7220	assa	9290
	ABOMALLOWED DEBECTRONS	4;380	45,200	4,700
	LESS FERSOWAL EXEMPTION	1089	1980	1950
	TAXABLE INCOME	49200	39300	39750
	Tem LEARIEJTS	9398.8	96.9	689°,5
٠.	PROPYTHEER ON THE LITTERS LITTY		2.5.2	~5§4 <b>.</b> 3
	N SHANSE IN THE LIABILITY		0.022908	-9.16 <u>321</u>

• EMP BUS EXP = 3% OF 4,5,0,

TARLE 24 AMALYSIS OF EMPLYIES RUSSASSS EXPENSE

T254515 MEAR	;98a	3987	1988
TETAL INDIA	59399	53068	50806
ADQUISTMENTS TO CHECKER			
MOUTNO EXPENSES EMPLOMES ECCIMESS EXPENS	0 E • 9009	FROM 461 FROM 63.	FR2#1,460 FR2#1,420
TUTAL POUNTHEMES	2000	√¿ħĘ	43.8
ADDJÝTÉD SROSK (NOZME	47553	80010	50122
07EY12E0   DEDUCT13V8			
MEDICAL EXPENSE ACTUAL RUCCO ALLOWED MEDICAL EXPENSE	2823 2350 477	9000 87 <b>5</b> 0 3	2 2001 3000
TAKES EMPENSE JACONS FARES SALES TAKES TOTAL FAKES	.75 47) 1645	::559 PREPLEC ::550	.351 REFRALEC .330
SKTEREST EXPENSE HORT (405 INTEREST LINGUMER I PHASED (UT TOTAL INTEREST EXPENSE	4706 (850 4580	₹61.6 1838 4880	≣0:0  803  800
MISCELLANEOUS EXPENSE MISCECLANEOUS EXPENSES LESS FLOOR ALLINED MISCELLANEOUS EX MISCH SOFELSE MISCELLANEOUS EXPENSES MISCELLANEOUS EXPENSES MISCELLANEOUS EXPENSES MISCELLANEOUS EXPENSES	NONE PENSE 198 FOR ASC	2750 1000 2750 ( 2750	2750 1701 2750 2 2750
TOTAL CHEMIZED DEBUGTIONS	940(	19896	PECC
0847 6T4N04R0   06980T00N	2480	2547	55 YG
ALLOW STEMSZED DEDVSTANDAR.	0.050 8920	:3360	9160 9160
#87-4003%E0 0E580T10V6	40060	39702	40200
UBBB PERSONAL EXEMPTION	1983	1930	1951
TAXABLE CNODME	39000	37300	15250
748 <u>L</u> 1681 <u>L</u> 17*	3937.E	P <u>0</u> 94	\$\$59.5
CAURY SECRITING THAT LEGASSLETY		146.3	-548,3
% (H443E IN TEXT.) 4811175		0.01435	H2.03.34

55° \$33 ⊅XP ≠ 6X 75° 4.8.3.

income is assumed to be equal to \$25,000 and his moving expenses are assumed to be equal to 0, \$1,000, or \$5,000, respectively. Tables 28, 29, and 30 show the same analysis except the taxoayer's total income is assumed to be \$50,000. In Table 25 the taxpayer experienced an 8% decrease in his tax liability due to the decrease in tax rates. In Table 26 the taxpayer experienced an 11% decrease in his tax liability due to the decrease in tax rates. In Table 27 the taxpayer experienced a 13% decrease in his 1987 tax liability and a 9% decrease in his 1988 tax liability due to the decrease in tax rates. In Tables 28 and 29 the taxpayers experienced a 2% increase in their 1987 tax liability due to the increase in average tax rates and a 5%decrease in their 1988 tax liability due to the decrease in tax rates. In Table 30 the taxpayer experienced a nominal change in his 1987 tax Trability since his average tax mate remained constant. In 1988 this taxpayer experienced a 6% decrease in his tax liability due to the decrease in tax rates.

When individuals file their Federal income tax returns after the Act becomes effective, taxpayers should notice a change from their prior year's tax liability. The impact of both the new itemized deduction provisions and the new tax rates on different levels of total income was analyzed in the next 12 Tables. In Tables 31,32,33 and 34 the taxpayer's total income was assumed to equal \$5,000, \$10,000, \$20,000 and \$25,000 respectively. The taxpayer was found to experience a decrease in his tax liability in all cases under the new provisions, due to the decrease in tax rates. For these income levels the decrease in tax rates was

TAKABLE HE48	1984	-997	198
75741 1903 <b>4</b> 5	25000	1. T.	253
ADDISTMENTS FO INCOME:			
MOVENE EXPENSES	1	27 <u>0</u> 9 4 <u>61</u>	FROM A
Emalomes Bussiness Exmeded	150	F97M 451	ERÓN 3
70748_45318 <b>1146</b> VT\$	750	SPA	3.8%
ABOUSTED SROSS INCOME	24250	Teritor Teritor	250
PTEMBRÉD DESUCTIONS			
MEDIEWE EXPENSE			
407441 51888	1455 1307 E	(5))	15
ALLOWED MEDICAL EXPENSE	12)3,5 242,5	:875 )	18
TAKES EKPENSE			
0N09YE T4XES	854,25	a25	G
SALBS TAKES	242,5	REPSALED	₹ <u>₽</u> ₽ <u>₽</u> 4_1
™g146 T49 <b>5</b> 3	948.7 <u>5</u>	525	5.
INTEREST EXPENSE HORTOMAS INTEREST	- 452		
DOMESTER (PHASES CET)	2435 371	2509 650	25
TOTAL INTEREST EXPENSE	3375	95. 9.53 9.53	4. 32
MIGGELLANEDUS EXFENSE			
MIRCELLANEDUS EXPERISES	353.75	,:25	.::
LESS FLOOF ALLOMED MOSCELLANEOUS EMPENSE	NGNE	501	50
MINING EXPENSE	363.75 F3R 433	625 -	÷:
TOTAL KISCELLANGOUS EXPENSE	568.75	323	÷ž
TOTAL ITEMISED DEBLETIONS	4250	4400	415
ZBAJ STANDARD DEDUCTION	2480	2540	306
ALLOW OFEWIZED DESYSTANDARD DES	3878	4485	4;5
AGRACUSEED DESCRIBING	21386	<b>296</b> 90	3095
LESS PERSONAL EXEMPTION	1080	\ <del>9</del> @(	195
Talvašus (Algans	20800	.876)	, 890
Tex. LiwerLitt	3255,4	2980	2074.
CACRITECT IN TAX LOADS LOT /		-275.4	-285,
N CHANGE IN THE LIMBILITY		-6.08450	-0.(372
		•	0-03/2
* NOVITHE EXP = 0	5.	^	

THESE 26 PRINCESS OF MONONS EXPENSE

		1.2 22 2 20 10 10 10 10 10 10 10 10 10 10 10 10 10	20, 200	
>-	TH 145UB I 134R	1956	1957	1998
	TOTA, 1480%E	250.00	250e0	25131
	400USTMENTS TO ENDOME:			
	mayona ekpensés	1860	E8.(A. ≤β.)	무확[1m 43]
	ETALOTEE BUSINESS EXPENSE	750	주민(M. 43) 주민(M. 43)	2011 AT
	TOTAL HOUGETHERTS	1752	\0.6	NENE
	ADULSTED PRUÉS ENCOME	29250	2500c	2 <b>5</b> 900
	DIEMOSER OBBUCTOONS			
	MEDICAL EMPENSE			
	4.1° _4.	:395	1533	:522
	F1,009	1562.5	1875	
	ASTIMED MEDITAR EXPENSE	232.5	0	1975 3
	Tagês ExFESE			
	CNOCME Texas	581,25	525	
	641E9 T4#E5	252,5		3Ž
	TOTAL TAXES		REPE△LES	8EPE4LED
		813175	435	525
	ONTEREST <b>Expérise</b> Mortomae lonterest			
	CONSUMER REPRESED OUT	3325	3560	3511
	COMBURER REASED OF	989	<b>6</b> 50	431
	TCTAL DITEREST EXPENSE	8255	3150	\$979
	MISSELLANESUS EXPENSE			
	YLSCELLAKERUS EYFEKSES	948,75	1.25	25
	UBSS FL204	NG4E	E90	±.16
	FILLUSED MISCELLANEOUS EXPENSE	343.75	425	625
	MOUTENE EXPENSE	FGP 463	-37	
	TOTAL MISCELLANGOUS EXFENSE	348,75	1625	1011 1625
	TOTAL CTEMICES DECUCTIONS	4650	5401	5150
	SBAZETANGARD DEDUCTION	2480	2840	3000
	PLUGA CTEMSZED DEGA/STANDARO DEG	2179	5430	5159
	#51-41_0wED DEBUSTIONS	2:080	1960	1995)
	LESS PERSONAL BYZYMTÓN	1039	1900	1981
	TAXABLE ENCOME	20000	1,7700	±7980
	TAN LEARTLETY	3047,4	2700	2671.5
·	ENGRAGEOR IN TAX LIMBILITY		-347.4	
	N CHANGE ON TAX LIABILITY			+3₹£.₽
	TO HAVE TO BY LIMBIL.		<del>-</del> 0.11399	-0,11678

 MONTAGE EXP = \$1900 51 \_\_\_\_\_\_

TABLE 27 AMPLYSES OF MOVEME ELPENSE

	1986	1987 	.932
TITH, BACCHE	25000	25090	3517
ADDUSTMENTS TO DICEME:			
HOMENS EXFENSES EMPLOMES BUSINESS EXFENSE	<b>5</b> 000 751	FRGM 460 RBSM 450	FR.24. 48 FR.04. 43
TOTAL ASSESTMENTS	5750	NEKE	NOVE
ADVIGETED GROSS GMCOME	19259	2500:	2513
CTBHU250 DEDUCTOONS			
MESTONU EXPENSE			
يدر آيدر	.:==	:500	150
FL\$57	962.5	1875	197
ALIGNED MEDRICAL EXPENSE	192.5	Ţ	
THRES EXPENSE			
CACGME TAMES	481.25	525	523
SALES TAKES	192,5	REPEALES	REP54180
TOTAL TAXES	673.75	\$25	525
: JEREST EMPENSE			
MÖRTG4GE KNYERESY	1,955	2500	2500
Wh8UME® (AAASES QUT)	773	35ú	4"
TOTAL CITEREST GAPBIGE	3595	3153	232
MISSELLANEOUS EXPENSE			
MOSOBULANECUS EXPENSES	288,15	1.25	25
_838 <b>f</b> _828	NONE	590	500
ALLOVED MOSDELLANEOUS EXPENSE	388,75	525	:25
YOUTH EXPENSE	F39 431	500Ç	5000
TOTAL MOSCELLAVEGUS EXPENSE	288.75	5o2E	5,25
TOTAL ITÉMIZES DESCOTTONS	3850	84.50 74.55	P1.50
CBAY BY HYDARIC (BEBUCT) (BA	3461	2540	3003
ALLOW CTEMICES DECHETANDARD DED	1870	9430	9150
ABOHAULGAED CEBUCTOCKS	:7380	.Ee00	. 5859
LESS PERSONAL EXEMPTION	1080	1802	;95%
Texable income	16800	.3792	:5937
T40: 1045110Th	2330.8	1981	2035
INCRYDEER IN THE LEASILITY		-3:-,6	-215.8
N CHANSE OF LAW TOBETTO		-2.13805	-8.0937;
+ MOVENS EXP = \$5000			
	L	2	
	<i> 9</i>	<del></del>	

	. 405 111 6. 07.003	B1 "E1432	
T4:49_5 V54F	1993	1987	.933
TOTAL CHOOME	5000	53000	53000
453USTHENTS TO INCOME!			
MOUTAG EXPENSES SMALOTES BUSTMESS EXPENSE	: 530	59 <u>0</u> 0 461 580 861	286- 73
FOTAL ABBUSTNENTS	1500	naun Arr. NaNS	FROM WEST
400u8fED GROSS ENDOME	4850°	50013	50500 50500
TREMICED REDUCTIONS		***	
4501042 EUPENSE			
∆_"_4 <u>.</u>	2913	2006	3008
FUCOR	2425	3750	21.0
ALLOWER MEGROAL EMPENSE	485	-	- T.
TAVES EXPENSE CYCOME TAXES	. 4. 4 =		
SALES TAKES	1919.5	1250	1257
	465	252E4U50	RERECLET
TSTAL FAXES	1997,5	1250	1250
INTEREST EXPENSE MOSTGAGE INTEREST	4850	8007	
CONSUMER (PARRED DUT)	1948	1000	5000
TOTAL DATEREST EXPENSE	679g	5531 <b>5</b> 531	200 5890
MOSCELLANEOUS EXPENSE			
HISIELLANEOUS EXPENSES	727.5	2250	2250
LÉSS ମଧ୍ୟରୁହ	NENE	1233	1033
HILDWED MISSELLANEOUS EXPENSE	787.5	; 250	: 251
MOVING EXPENSE	FOR #85	0	5
TOTAL MESSELLANEGUS EXPENSE	727,5	: 250	1250
TOTAL STEMOZĒD DEDUCTSONS	97[]	8855	8969
EBA/ETAKBARD ÖSBUCTIĞIK	3461	2542	9590
PLLSG ITEMIZED DED/STANDARD DED	7330	\$801	\$\$7.1
467-4LL0460 DEDUCTIONS	41281	41.211	41777
AGGIFAMBKA LARGRABA SEB	1980	1990	1980
AAABLE (NOGME	40200	39300	39750
Fem LiwBiCiTh	<b>୧</b> ଓ¢ଖ୍ୟ	6670	8809.E
NORMOBER ON THE LONGOUSTY		21E.2	-594,9
( SHANSE 3% T4% UTABSUSTY		0,022908	-3,05220

\* M34,1N6 ExP = 3

TABLE DY ANALYSTS LO YOUNG EXPENSE

	TUTAL INCOME	54,100	53300	50000
	ADDESTMENTS TO INDOME:			
	MONTANG EMPENSES	1983	888M 431	2004 01
	EMPLOMEE BUSINESS EXPENSE	1500	FROM 45.	9801 43) 9854 43]
	T(TAL 450.)87MBVT\$	2500	1996	8456E
	HOUUSTED SROSS INCOME	å75 <u>6</u> 0	50656	\$3301
	CTENICESE BEBUCTIONS			
	MEDICAL ERPENSE			
	ACT_A_	3850	3000	2000
	E_00R HullwED MEDICAL ExPENSE	2375	2752	9151
		475	ğ	ĝ.
	TAKSS EXPENSE			
	1500% T4583 64669 T4589	3187.5	1253	1253
	TOTAL TAKES	475	REPEALEC	REPEALED
	¢ -6 -5523	1002,5	1250	1250
	INTEREST EXPENSE			
	MORTGAGE INTEREST	4756	E051	9000
	CONSUMER (PHASED OUT)	1900	1306	890
	TOTAL CATEREST EXPENSE	\$65Ú	5314	5830
	*) SCELLAMEGUS (EXPENSE			
	MOSSELLANECUS EXPENSES	712.5	2250	3350
	LESS FLOOR	43NE	1236	. 122
	ALLOVED MISSELLANEOUS EXPENSE MOUNTS EXPENSE	7:3.5	3 320	.350
	TOTAL MISCELLAMEDNS EXPENSE	F06 431 712.5	1998	1200
		11519	2250	2250
	TeTAL ITEMIZED BEBUITIONS	9500	986]	9300
i	(BAVETHAQARD DEDUCTOCK)	2495	2546	\$003
-	LLCL (TEMIZEC BEE/STANDARD BEB	7020	9890	£300
=	61-4113480 DEBUSTIONS	40420	46356	43711
-	SSS PERSONAL EXEMPTION	1280	1990	1951
7	AXABLE INCOME	<b>394</b> 96	33200	39750
-	Pa 154851375	9089.a	çākò	552545
- i	NOR/DEGRISH TAX LIABILITY		139.3	-5 <b>o</b> ú , 3
Ţ,	CHANGE IN TAX LIABILITY		0.008624	+0.0e;o4
	MOUTNO EXP = \$1500			
		£	TAL	

FABUE 30 #MALYETS DE MOVENS ENFENSE

			2 4 4 4 4 4 4	
-	Texa2us + <u>549</u>	.954	1997 <b>-</b> 555	1998
	77"aL 3X\$748	5096€	facta	50000
	ADMUSTMBRTS TO INCOME:			
	MOVING EXPENSES	5000	55(%, 4 <u>6</u> )	FR(** 06)
	EMPLOYEE BUSINESS EXFERSE	15:1	ଅନୁମୁଖ ଅନୁମ ଅନୁମୁଖ ଅନୁମ	FRC+ - XI
	TOTAL ABOUGHTENTS	<b>55</b> 00	N6ME	NOVE
	MERBETED GROSS INCOME	43590	50060	±1177
	LAERI 550 DEBOCAT <b>DA</b> 8			
	MEDICAL EXPENSE			
	∪ <u>;</u> —[ρ[	2613	\$006	3110
	F_230	2175	<b>275</b> 5	8750
	ALLINED MEDICAL EXPENSE	465	:	- *:
	TAKES EXPENSE			
	TMICHE TAXES	1987,5	. 253	1250
	SALES TAKES	465	PEPEALED	969 <u>6416</u> 0
	TÇTAL TAKES	1522,5	2250	1250
	CATTEREST EXPENSE			
	MORTSAGE INTEREST	4950	\$683	£000
	CCHSUMER (PHASED OUT)	.740	1300	800
	TOTAL INTEREST EXPENSE	5 <b>29</b> 3	<b>6300</b>	3630
	HIBSELLANEGUS EXPENSE			
	MIRSELLANECUS EXPENSES	<b>652.5</b>	2255	9256
	UESS FLOOR	^eXE	1000	1339
	ALLOWED MESSELLAMECUS EXPENSE	a52.5	1250	.253
	MOJANG EXPENSE	ACR 491	5000 5000	
	TOTAL HISOBULANESSE EXPENSE	o57.₹	5250 5250	₹500 8 <b>2</b> 89
	TOTAL (MEMORED DECLOTIONS	8719	13830	15511
	384/874k3440 08889773%	248)	2540	#605
	ALLOW ETEKICED DECKETANDARD DEC	255	19811	18807
	⊝S1-4LLGWED DEDUCTIONS	9 <b>72</b> 30	36290	36700
	LESS PERSONNEL EXEMPTION	3080	1963	395 <u>4</u>
	TAKABLE OKOME			
		36293	34366	34733
	74x 0.4800077	7877.€	7959	7409,5
	058975509 (A THE LIGHBILITY		-28'3	-488 3
	NORMAR ON THE CHROCETT		-1,21491	-1.038082
	<ul> <li>MANING FYR = ★5010</li> </ul>			

4 MOVING EXP = \$5000

found to putweigh the taxpayer's loss of itemized deductions. What should be especially noted is the dramatic decrease that Yable 3: illustrates. The drastic decrease that this taxpayer expensenced was a major goal of Congress; to relieve low income individuals from their tax burdens. In Table 35 the taxpayer's total income was assumed to be equal to \$30,000. In this case, the taxpayer was found to experience only a nominal change in his tax liability. The small change was due to the fact that the decrease in tax rates completely offset the taxpayer's loss of deductions. In Tables 36 and 37 the taxpayer's total income was assumed to equa: \$40,000 and \$50,000, respectively. In both cases, the taxpayer was found to experience an increase in his 1987 tax liability, due to the loss of some of his itemized deductions and the increase in average rates. He was found to experience a decrease, however, in his 1988 tax liability due to the additional decrease in tax rates. Even though the increase these individuals experienced was relatively equal, the decrease they experienced was different. This was due to the fact that the taxpayer in Table 37 had a significant portion of his 1997 income taxed at 35% while the taxpayer in Table 36 only had a minor portion taxed at 35%. So, in 1988 when both taxpayers marginal tax rate dropped to 28%, this affected the taxpayer in Table 37 to a greater degree. In Tables 38, 39 and 40 the taxpayer's total income was assumed to equal \$60,000; \$70,000 and \$80,000, respectively. Again for these levels of income, the taxpayer was found to experience a nominal change in his 1987 tax liability, since the loss of deductions was offset by the change in tax rates, but he was found to

experience a decrease in his 1988 tax liability due to the decrease in the 1988 tax rates. In Tables 41 and 42 the taxpayer's total income was assumed to equal £90,000 and £100,000, respectively. The taxpayer was found to experience a decrease in his tax liability under the new provisions. The decrease was due to the decrease in the tax rate system. The results of this analysis concluded that low income and high income taxpayers will generally experience a decrease in their 1987 tax liabilities due to the decrease in tax rates, which will outweigh the decrease in deductions. However, middle income individuals will experience an increase in their 1987 tax liabilities due to the increase in average tax rates, and the decrease of deductions.

In summary, there are a few major goals that Congress wanted to achieve with the Tax Reform Act of 1986. The intent of the Act was to decrease tax rates and increase taxable income by eliminating certain deductions. Therefore, itemized deductions were either: 1) eliminated, 2) tightened with respect to substantiation, 3) phased-out, 4) or allowed only above a floor. Congress also repealed certain deductions that they felt were being abused. Lastly, it was Congress' hope that by changing the provisions with relating to itemized deductions, more taxpayers would use the standard deduction in the future thus requiring less recordkeeping for taxpayers. They felt this would make it easier for more individuals to file their own Federal income tax returns.

74819-31 4N4<sub>14</sub>7818 OF TOTAL TNOOME

	TAXABLE MEAR	1986	_95T 	1988
	TETAL INCOME +	5000	5000	5600
	ADDUSTMENTS TO INCOME:			
	HOUSING EXPENSES	8	ARG≃ ABI	FROM WAS
	EMPLOMEE BUSINESS EXPENSE	150	FREH 433	##@v #30
	TOTAL ADJUSTMENTS	150	NONE	4545
	400USTED BROSS INCOME	4953	5080	5000
	ITEMIDED BEDUCTIONS			
	MEDICAL EXPENSE			
	407.9AL	291	901	111
	FURSE	242.5	27 <del>9</del>	375
	ALLOWED MEDICAL EXPENSE	49,5	<b>.</b>	-
	TAKER EXPENSE			
	END345_F4X85	121.25	1.25	.25
	SPLES TAXES	45.5	\$2524_53	REPEALED
	TOTAL TAXES	159.75	:25	125
,	ENTEREST EXPENSE			
	MORTGAGE INTEREST	495	500	500
	OPKSUMER (PHASED BUT)	(94	199	80
	TOTAL CATEREST EXPENSE	679	632	583
	MISCELLANEOUS EXFERGE			
	HISCELLANEOUS EXPENSES	72.75	225	225
	LESS FLOOR	<b>√6</b> √€	0.00	105
	POLICIAES MÉSCELLANEOUS EXPÉNSE	72,75	135	125
	MCCENS EXPENSE TUTAL HESSELLANEOUS EXPENSE	FOR AST 72,75	() 106	.00
			125	:25
	TOTAL (TEMIZED DEDUCTIONS	¢fg	880	530
	IBA/STANDARD BEDGOTION	2480	35+0	3036
	4113 ITEMSZED DED/STANDARD DED	Ξ	2540	3091
	ASTHACLOWED DEDUCTIONS	435]	2459	2019
	LESS PERSONAL EXEMPTION	0380	1900	. ?59
	T4x48LE (NORME	377)	5e8	53
	TAX QUARTUTY	;43,9	£2.£	7.5
-	ENGRADECR ON TAX LIABILITA		-21.3	35.4
	N CHANGE IN TEX LIGHTLITY		-0.56692	$=_{i,j}^{i}\Phi_{i}^{i}\pi_{i,j}^{i}$
	• TOTAL INCOME = \$5000			
			.58	

TABLE 33 4VALMBOS - DR - 1874. - JALOMB

	TAXHBUE MEAR	1996	(287	.982
	FORMS INCOME *	18,337	12822	.7732
	MEGUSTMENTS TO SHOOME:			. /-
	MOVENG EXPENSES	,		
	BYPLOYEE BUSINESS EXPENSE	300	ମସ୍ୟ କଥିଲି ମଧ୍ୟ ନଥ	FF(# 43) FR(# 45)
	TOTAL ANCEMBINS	300	*aZNE	11743
	ADVISTED BACKS INCOME	9790	18200	10179
	PREMIZED DEDUCTIONS			
	"EDICAL EXPENSE			
	ACT94_	182	ana a	306
	FL034	48 <b>5</b>	<b>75</b> 9	590 7 <u>5</u> 0
	ALLOWED MEDICAL EXPENSE	97	2	7
	TAXES ETRENSE			
	ONODMĒ MAXĒS BAUES TANĒS	242,5	255	250
	1017fpx 28 paresexe	∓र ३३१-5	9E954_ED 250	99 <b>464</b> 157 257
	DVTEREST EXFENSE			
	#297345E CNTEREST	900	1007 1000	::::
	CGNSSMER (PHASES SOT)	386	Z60	180
	TOTAL ENTEREST EXABNSE	1356	1255	: 55
	MISSELLANEOUS EXPENSE			
	1996ELLANEGLA EKP <del>ONSES</del> JESS FLBOR	145.5	950	4분호
	ALLOWED HERSELLANGOUR EXPENSE	*8*E	236	200
	MOVENS EXPENSE	145,5	<u> 256</u>	257
	LELMO ANSCEPTIMMEDAS EXAEASE	FOR A61 :45,5	0 250	5 250
	TOTAL ITEMIZED DESCRIPTIONS	[943	1 <sup>7</sup> 69	-687
	ZBAV STANDARO I DEBUOTION	2490	2540	3000
	HULLON (1789/1088) (380/1874/86496) (385	<u>s</u>	2543	1007
	-SI-ALLIMED DEEDVETTIMES	9700	7480	7930
	LESS PERSONAL EXEMPTION	9801	:903	1980
	FAXABLE INCOME	3520	55&6	5350
	TAL UPSILITY	818,4	762	
. <del></del>	(NOS SECRIENTEN LIABOLETY			757,5
			<del>-</del> 5a,4	-50,4
	SPANE IN TAK CHARLETS		-0.0 <u>5</u> 98.	-0,(544)
	* INTA: TWEAMS = \$18000			

\* TOTAL INCOME = \$18990

T48LE 33 ANALYSIS OF TOTAL 1.VCCYE

TARABLE YE		.º3ś	1987	:423
7074 <u>0</u> 0400	±E •	20060	20039	2000
ASVUSTMENT	i To income:			
MOUSNA E	XPENSES	)	FR9*: 460	FRQM 460
\$16L01 \$5	EUSINESS EXPENSE	400	무양 #X	FR34 4\$1
1574. 4900	STMENTS	<b>5</b> 00	和製造	3737
480e37 <b>2</b> 0 3	R088 (3x00m <u>8</u>	19400	30000	29000
CTEMCSED O	ROUCT CANS			
WEDICAL EX	PEH5E			
967.40 5.566			1370	1201
F.JSR 4.L3WES:	MEBICAL EXPENSE	976 194	350s 1	1511 I
		• •	•	
TAXES EXFE INCORE R		485	551	Ę83
841E8 TA		194	9598ALES	191 ( <u>1</u> 148784)
79 <b>7</b> 46 TA	XES	677	577	507
. DATEREST E				
	(NTEREST (PMASED DUT)	1946	2210	2139
	TEREST EXPENSE	776 2716	522 9520	991 2320
MESCELLANE	Dus expense			
	NEGUS EXPENSES	291	900	999
_899 ALG:	SR KOSGELLANEGUS EXPENSS	NDNE	437	400
*ONING B		29: F3R #3]	500 9	50 <b>0</b>
	SCEULAMEDUS EXPENSE	29:	500	500
TÖTAL ETEM	ized deductions	3980	<b>352</b> 6	3520
28A/8T#(0A)	RO DEBUCTION	<b>24</b> 90	2540	1111
e213: 17 <u>9</u> %	ISED SED/STANDARD SED	1400	3520	3526
40]-4 <u>6</u> _148	D DEBUCTIONS	18966	16480	,d680
LESS REASO	AL EKEMETIĞE	10 <b>2</b> 7	4F05	1951
TWM4ELE (N	.)÷E	15720	8 <b>45</b> 89	4750
Text 2148101		2528,2	3115	2204.5
0.803018040	A TAX LIMBILITY		+218.2	*1184 <sup>†</sup>
% D##NGE 08	740 UN-811075		-0.09157	-0.05398
+ 757AL }}	iCDME = \$20000			
			60	
				_

14818-34 EMALYSIS OF TOTAL INJØKS

Telongue Mear	1986 	; 767	::::
FETAL (NOOME +	25000	25002	25000
ABBUSTMENTS TO INCOME:			
MOVING EXPENSES	i	FROM AGE	fady aai
EMPLOMEE BUSINESS EXPENSE	751	FROM AG!	FROM 43;
TOTAL ADJUSTMENTS	750	ेग्यिन्ह	t.¢k <u>E</u>
400 SETED BROSS ENCOME	24257	25133	25000
LITEMOSER (BESAUCTS (ANS			
MESCOAU EXPENSE			
eCTXAL	1455	:500	E06
FUCÇA ALLOWÊD MEDDOAL EXPENÇE	1212.5	1875	1975
ವರ್ಗಗಳಲ್ಲಿ ವಿಧಾಗಿಗಳಿಗೆ ನಿರ್ಗವ≀ತಿಕೆ	242,5	į.	:
TAXES EXPENSE			
INCOME TAXES	506.25	435	935
SALES TAVES TOTAL TAXES	242.5	REPE-42E0	\$EPE4_ <u>E</u> 5
12 ME 4429	848.75	e25	250
INTEREST EXPENSE			
MORTGAGE INTEREST	3425	3500	3500
CONSUMER (PHASES SUT)	÷70	é\$.	435
TOTAL (ATEREST EXPENSE	3395	3050	2 <b>9</b> 00
MIBIBLLANEGUS SKR <u>ENGE</u>			
YISCELLANEDUS EXPENSES	369.75	ii 25	1.25
LESS FLOOR	NONE	511	590
ALLEGAED MISCELLANEDUS EXPENSE MOSTING ERPENSE	363.75	425	\$\$E
TOTAL MESSELLANEGUS EXPENSE	©99 A6] 363.75	2	3
	2014/5	525	525
TETAL OMERCEED DESIGNATIONS	4850	4453	4157
2867 814W0490 05000110W	2480	2540	<b>3</b> 996
ALLÓW 17541350 350/57#A8#96 550	3975	4411	4181
461-4119960 DEDUCTIONS	21.380	20500	23851
LEBS PERSONAL SKÉMATIO.	1230	1933	:0E-
THAMBLE INCOME	20,800	1,8708	: 2996
T4x _1e81_1T%	3258.4	2931	istuut 1971uut
CHORMOEOR ON THAN LOADS LOTH		-274,4	-288.7
N CHANGE IN TAX LIMETLIST		F8 <b>4</b> 0 8 4 5 F	<b>*</b> 1 <b>57</b> 11
* TOTAL INCOME = \$25000			
- 1110000 189979	/	ol .	
	(	ا <i>لا</i>	

FABLE 95 ANALYSIS OF TOTAL INCOME

TOTAL CHOME •	30000	50000	30000
POULSTMENTS TO INCOME:			37.10
MÿvinG ExēEnsEş			
EMPLOMEE BUSINESS EMPENSE	- 5 - 430	980€ A31 980€ A31	FECH 460 FECH 460
STAL MOJUSTMENTS	700	nôNE	AGE
DOUGRED GROSS CHOOME	29:00	8901)	E3001
TEMIZED DEBUCTIONS			
BB1DAL B/FBNSB			
ASTIVAL	174 <u>4</u>	1977	1911
FLOGR ALLGAED MEDICAL EXPENSE	1455 291	22 <b>5</b> 5	2250
	27:	•	•
YAXES EKAEYSE Choome Taxes	757 5		
SALES TAXES	727.5 291	750 Merealêd	7E0
TOTAL TAXES	1018.5	7575HLCU 757	FERGHUE1 751
NTEREST EXPENSE			
MCRTGAGE INTEREST	2919	3000	9500
COMPONIES (PHASES OUT)	1164	785	25 485
TOTAL INTEREST EXPENSE	4074	3780	54 <b>3</b> 0
CBOELLANEGUS EXPENSE			
KOROFELLAKERUS EXPENSES	436.5	1355	,350
LESS FLOOR	NONE	303	4.11
ALLOWER MISCELLANEOUS EXPENSE TO CLUB EXPENSE	436.5 FCR A31	750 5	752
TOTAL MASCELLANEOUS EXPENSE	436.5	759	751
OTAL OTEMOSED DECOMOSAS	5823	<b>523</b> (	<b>6</b> 98]
94/37ANDARS DEGLETION	3436	2569	3013
LLCW STEMSCED DECYSTAXDARD DED	3546	5286	4 <b>9</b> 50
00-4.LGWED DEDUCTIONS	25760	\$4155	25020
ESS PERSONAL EXEMPTION	1030	1900	1950
AXABLE INCOME	24580	22820	23076
AX LTABLET"	4264.3	4,33.5	4164
NORMOBER IN TAX CLARESCITY		-188.s	-125 1
CHHYDE IN PAX LIABILITY		-0.00642	-0.02935
7579∟ ind@ME = #30000			
		1.0	

TABLE 36 AMALYSIS OF TOTAL INCOME

 Taxáējē rēak	,98 <u>4</u>	1987	:988
707au (NCME *	40607	40270	40862
ADBUSTMENTS TO DIDDMEN			
HEMENS EXPENSES	G	500× 451	FROK 481
EMPLOYEE EUSCMÉSS ENFÉMSÉ	1200	FR9= 49;	990H (460
TOTAL AGGISTMENTS	: 200	พมิทธิ์	40/5
MEGUJETET SESSS TNOOME	Baaco	40000	\$1000
PTEMICED DEDUCTORNS			
MEDITORIL EXPENSE			
actual	2323	2499	2439
FLOCE	(94Ç	2006	P291
ALLGGED MEDICAL EXPENSE	362	2	:
TAXES EXPENSE			
ENCOME TAXES	970	.901	1690
SALES TAKES	388	PEPEALED	FEPEALEI
TOTAL TAXES	1358	1990	1000
 INTEREST SKRENSE			4000
MORTSAGE INTEREST	3880	4000	4000
CONSUMER (PRASED DUT)	1552	.641	a40
TCTAL CHTEREST EXPENSE	5432	5340	4640
MI SCELLANEOUS EXPENSE	E33	:323	.==3
MOSCELLANEDUS EXPENSES	582 N2NE	. 500 . 800	1373 200
GERS FLOOR HOLDWED MORRELLANEOUR EXPENSE	582	199	1000
MOUNTED A LIBERTUMNEOUS ESTENDE MOUNTS EXPENSE	708 483	9	9
TOTAL POSSELLANSOUS EXPENSE	182	:66	
TOTAL ITEMIZED CEDUCTIONS	77 <b>6</b> 8	7)4)	3a41
SSAZET≃NAARD DEGUCTION	2480	2540	1033
ALLAN DIEMIGED DEDVSTARDARD DED	5261	7940	6341
490-AU104ED 0E990710VS	33520	32935	36861
LEGG PERSONAL EXEMPTION	1681	(₹))	1951
Tarable income	22440	36315	3:4.0
TAN (1489),75	6639,4	€725	3474,7
 CNERVOROR ON TAX CORRECTY		19574	*145 <sub>7</sub> 1
A SHANGE IN TAX LIABILITY		0.015953	-0,02192
* TOTAL ENCOME = \$46888			

*u*3

e	TexaBUB FEAR	; <del>99</del> 4	ुबहुन	1986
	TOTAL INCOME *	56561	50000	:
	ADJUSTMENTS TO INCOME.			
	MGA (N.B.) EXPENSES	ē	FROM ASS	2304
	EMPLOMEE ÉLBONESS EMPENSE	1309	FROM 461	FROM
	TUTAL ABSORMENTS	:590	73∕E	40x8
	ACCOSTED GROSS INCOME	49590	50000	5
	TTEMALTED DEDUCTEDNS			
	MEDICAL EXPENSE	2916	3900	
	ACTUAL FLOOR	2425	:1 <u>5</u> :	
	ALLOWED MEDICAL EXPENSE	485	:	
	TAKES EYRENSE ENCOME TAKES	13.2.5	1253	
	54,58 74455	495	REPEACES	95
	TOTAL TAXES	1697,5	1.250	
	CAMERERY EXPENSE	485)	5900	
	HORTSAGE INTEREST CONSUMER (PHASED DUT)	1940	1300	
	TOTAL INTEREST EXPENSE	8790	30Ea	
	MOSCELLANECUS EXPENSES MOSCELLANECUS EXPENSES	727.5	2250	
	1535 F1999	NGNE	1000	
	ALLOWED MISCELLANEOUS EXPENSE		1251	
	MENENS EXPENSE	F9R 453 727,6	9 :255	
	TOTAL MISCELLANEOUS EXPENSE		8950	
	TOTAL ITEMICER DEDICTIONS	9700		
	034/97#49 <b>49</b> 0/09060000016 <b>6</b> 4	2486	2540	
	4,005, 07EM03E0 085/87AM0ARD 080	_351	5591	
	A61-ALLOWED DEBUCTEDNS	4:290	4:200	
	LESS PERSONAL EXEMPTION	1980	399;	
	TAXABLE INCOME	40283	39531	
	Teh LimBiLing	ଜ୍ୟୁଟ୍ୟ, ଗ	9500	:
.~	CACR/GEGR IN TAX LIABILITY		315.2	
	% CHRISE IN TAX LIABILITY		0.622908	٦.,
	* TOTAL ENCOME = \$58000			
			GN	

TABLE 38 AMALYSIS BF 73741 PNOOME

T974U (NCGME *	60000	4113	
	gure:	<b>a</b> \$008	60050
45JUS™B≀TS TO INCOME:			
HOVENO EXPENSES	9	7 <b>90</b> * #61	ଲିଫ୍ଲ ଜଣ୍ଡ
EMPLOMEE BURINESS EXPENSE	1890	F80* A31	FR(# 43)
7375U 4835STHENTS	1800	NØ5E	¥2 <del>kE</del>
ADBUSTED BROSS INCOME	59200	<b>&amp;</b> 00000	60800
27 <b>5</b> 90253 0500070548			
MEDICAL EXPENSE			
40T.04L	3493	3800	\$500
ALOOM ALOOMED MEDICAL EXPENSE	2910 582	4500	4530
	227	\$	•
THXES EXPENSE INCOME TAXES			
SALES TAXES	. 455 562	.596 Repealed	.fo1 9 <b>576</b> 4121
TOTAL TAXES	3037	1500	7 <b>3/16</b> 4181 1 <b>3</b> 99
. DATEPEST EXPENSE			
HCRTSAGE INTEREST	5823	6130	6200
CONSUMER (PHASES DUT)	2836	1561	9245 920
TOTAL INTEREST EXPENSE	3148	75a9	6360
MISSELLANECUS EXPENSE			
MISCELLANEOUS EXPENSES	873	2700	1700
LESS FLOOR HIJGHED MISSELLANEOUS EXPENSE	<b>V9vE</b> 873	1200	1,250
"GUING EXPENSE	FOR AGI	:593 C	.≅₹₹ 6
TOTAL MISCELLANEOUS EXPENSE	373	150 <u>0</u>	- 519
TOTAL STEMIZES DECUCTIONS	11643	1556]	6553
284×ST#NDARD DEBUCTION	2485	2548	3573
HULDA ETEMIZED DEBYSTAVDARD DED	<b>9</b> 340	10546	79e(
A61-ALLOWED BEBUCTIONS	49040	4944(	30040
LESS BERSDAL EXEMPTION	1386	1900	: 755
TAMPBLE (NOTME	47760	47546	450 <b>4</b> 0
Tea 0:481177	. 24.5°.	,2443	.1395.7
TO ENGRAGEDE DA TAN LOMEDIGITA		28.2	+1073.1
A CHANGE IN TAX LIABILITY			
Tanking in the Company		34816046	-3,38845
* 7079L INCOME = \$60000			
		65	

FABLE SP AMALYSIS OF TOTAL SNOOME

•	TAXABLE 1 BAR	.986	,987 	.959
	TOTAL INDIME €	70000	70000	70.11
	ADJUSTMENTS TO INCOME:			
	MÖVÜNƏ EKPENSES		FR(#1.46)	55(#1 A3)
	EMPLOMES BUSINESS EXPENSE	2100	म्बद्धाः ४०।	78,9 <b>r</b> ≏9]
	TUTAL 40 VSTHENTS	2198	NOVE	NONE
	4000578D SROSS INCOME	¢7900	32225	Teast
	CTEMOCED DEBUCTEONS			
	MESTIAL EXPENSE			
	#CTUAL	4974	4355	4300
	FLOCK	3365	5250	5 <u>7</u> 50
	ALLBAÉS MESTCAL EXPENSE	675	;	
	TEXES EXPENSE			
	INCOMÉ, TAKES	1697.5	1750	: **:
	SALES TAMÉS TOTAL TAKES	8-10 NATI: 4	REPEALED	PEFEKLET
		23764.5	.750	+758 -
~	CATEREST EXPENSE			
	MORTIGARSE (0KTEREST Döngburen (0H485E) (08Th	6790 2716	7000	7000
	TOTAL INTEREST EXPENSE	2115 9506	1920 8 <b>82</b> 0	112) 2130
	MISCELLANEOUS EXPENSE			
	MISCELLANEOUS EXPENSES	1018.5	3:5)	3150
	LE95 FLDGR	%9%E	1406	:466
	HUUDWED MOSOSLLANEGUS EKRENSE	1013.5	1753	1750
	HOMING EMPENSE TOTAL MISOSULANEGUS ERPENSE	FQF #31	5	
		2619 <b>.5</b>	√त्त्र	. "
	Temal stampsed peopotions	13591	12324	.1821
	284/67 <b>4/3</b> 469 (050/,0706/	2481	254)	30.0
	ALLO, CTEMPRED BES/6TANDARD DED	11100	12320	11627
	AGG-4LLOWED DEDUCTIONS	58800	57680	58980
	LESS PERSONAL EXEMPTION	3600	1401	.955
	TRYABLE (NEGHE	55730	55780	54400
	TAX LIABILITY	15729	15439,3	14143.9
	CAGR/GEER EN TAX LOARELOTT		-23 <b>9</b> .7	-,525,.
	% (9443E % 167 UJASTUTT)		-0.0.841	-3,18777
	* F07Au 1500ME = \$70000			
			66	

TABLE 40 4844-1533 OF TOTAL SNOWE

	TAXABLE YEAR	:99& 	1827	.788
	TITAL PACCHE +	29000	£9(C)	2008
	ASSESSMENTS TO INCOME:			
	HONOMA EKPENSES	3	FR0K 460	797m ad
	EMPLOYEE EBSTHESS EXPENSE	340(	2504 b51	FR2# 43
	TSTAL ADJUSTM <b>S</b> ITS	2490	AGVE	NEXE.
	ADDUSTED SROSS INCOME	27600	99000	900-9
	ETEMICÉS BEDUCTIONS			
	MESSIAL EKESMSE			
	42 <b>1</b> 044	4656	4800	€981
	FL00R	3685	á97.	ete:
	ALLOWED MEDICAL EXPENSE	776	Ĉ.	
	TAKEE EXPENSE ENDOME TAXES	1946		
	540E8 FAXES		2000	200
	70791 74XE8	77a 55a	PEP34_20	#EPE4_E
		3716	2506	200
	CATEREST EXPERSE MORTUAGE CATEREST	77e0	5010	
	COMERMEN CHARES COTS	3134	\$000 2189	674
	19747 G/164584 8455/85	10882	2157 18185	. 25 926
	MISSELLANEGUS EXPENSE			
	MOSCECLANEGUS EXPENSES	1154	3692	282
	LESS FLOOR	ħ.Ωħ.Ε	1000	:47
	ALLOWED MISCELLANEOUS EXPENSE	1154	2330	212
	HOVENS EXPENSE	FOR AGE	255	22.
	TOTAL MOSCELLANE XUS EXPENSE	1184	2000	261
	Potál (Témiseo Debustión)	15520	14985	1328
	ZEA/ \$749/0430 DEBUCTION	2480	2540	323
	ALUGA STEMSSES SESMETANDARS DES	1894:	14187	1888
	431-40.0488 38550710Ns	64568	65923	557 <u>2</u> .
	LESS PERSONAL EXEMPTION	1389	1960	: 25
	TARABLE COURTE	±3486	54923	547 T
	Mexicises()Th	193.6.8	:50.1.7	188 <b>9</b> % - 1
. —	CASS/CEOR IN THE BIRESLETY		-525.Ç	-2320.7

¥ 7074\_ NCCME = \$80000

TABLE 41 ANALYSIS OF TOTAL INCOME

TAKAS, E MEAR	1986	_997 	953
TOTAL INCOME *	98900	90000	*1366
HOUSETHBUTS TO INCOME:			
HOVENS EXPENSES	0	FROM ABI	RR(#146)
EMPLONEE BUSINESS EXPENSE	2700	FROM ASS	FRQH 491
TOTAL ADJUSTMENTS	<b>27</b> 00	YāvE	3/0/5
40008760 68865 INCOME	87300	90000	<del>9</del> 5262
CTRHICES SEDUCTIONS			
MEDICAL EXAMPLE			
ASTUAL	5236	5460	5499
FICCH GLICUES MESCRAL EXPENSE	43 <b>45</b> 973	67 <b>5</b> 0	6750
-510415 (57)045 SV-5405	5/3	Ŷ	3
TAKES EXPENSE			
CACOME TAXES SALES TAXES	218275	2250	2250
TUTAL TAKÉS	673 3055. <b>5</b>	REPEALED 2250	F6F5-L60 2350
	300213	ALV	441.
INTEREST EXPENSE			
MORTSAGE (NTEREST CONSUMER (AHASED QUT)	9736 9402	9616	R535
TOTAL INTEREST EXPENSE	12222	2546 14340	(441 (144)
	11111	12240	
HISGELLANEGUS EXPENSE			
MISIBLLAMESUS EXPENSES LESS PLOOF	1309.5 <b>\%</b> E	4050 1 <b>8</b> 79	4959
ALLOWED MISCELLANEOUS EXPENSE	1309.5	2250	.91. 2289
MOVING EXPENSE	FOR AGO	,	1225
TOTAL MISCELLANEOUS EXPENSE	1309.5	2250	22EC
TOTAL ITEMIZED DEDUCTIONS	17480	15840	,4940
384/STANGARC DEBUCTION	2490	2546	1000
ALLOW CTEMCCEO DED/STANDARO DED	¿4980	15940	[264]
433-40123x25 0200073@xs	72321	74(60	755.03
LESS PERSONAL EXEMPTION	1080	1900	3 <b>9</b> 93
T48480E 3N00ME	71340	78267	751.C
TAN QUABILITY	2294:.6	21784.1	14e46.2
INCR/SECR IN TAX LIABILITY		-1157.5	+9243.3
N CHANGE BAITAN LEASELETY		-3,05645	-1,14355
• FOTAL INSIME = \$90000			
		U8	

TABLE 43 ANALYBIE OF TOTAL TROCHE

T4448LE NE48	1986 	1937 	:995 
TUTAL CHORE *	10000	111319	
ADDIETMENTS FO DNOGME:			
MBV1 kg (BURELINE)	:	FF3H 461	#FD: #31
EMPLOYEE BUSINESS EXPENSE	acci	FRÚM (2)	##5+ Eg:
FOTAL MODUSTHENTS	2000	N∂NE	NOVE
ADDUSTED BROSS INCOME	97300	149600	.82709
175M1250 05000T10H8			
MESICAL EXPENSE			
AGTeAL	5820	aQ90	8000
0_000 <b>90</b> 0000 magazine	495.	7520	750.7
ACUGAEG MEGCOAL EXPEASE	976	9	:
TAKES EXPENSE			
NOOME TAKES	2425	2501	\$503
646E8 **44E8 *********************************	\$7 <u>(</u> 2225	REPEALED	REPEALED
Simil Hally	3395	2506	2500
COMERSET EXPENSE			
MORTOHOE ONTEREST	2766	(8000	10933
DBNSUMER PRASED OUT	3881	3630	1821
TUTAL INTEREST EXPENSE	.9560	12600	265
MISCELL#48038 EXPBASE			
FIRECELLANEOUR EXPENSES	:455	4530	45%
LÉSS FLOGR	NONE	2000	#1.1
ATTOMES ASSESSED MYESSES EXAMINES	1455	3500	2500
MOUSING EXPENSE	FOR ABI		-
TOTAL MISCELLAKESIJS EXPENSE	1455	2506	2506
TOTAL CTEMOCEC DEDUCTIONS	19817	17677	:se[]
284/87=x3483 05555716X	2489	2540	35))
ALLOW ITEMSZED DEBYSTANDARD DED	16920	17600	15611
AGE-ALLOWED DEDUCTIONS	90080	£240Q	85400
LESS FERSONAL EXEMPTION	1983	1903	1985
TAKABLE INCOME	7 <b>9</b> 000	86517	80450
TAN E19E1_11v	25365.4	24955.5	22400.5
CHORAGEOR ON TAX LOAS LOTS		-1709.9	-42st,0
% DHANGE IN TAX USABILIST:		-0.06412	-0.159%*
+ TOTAL INCOME = SICODES			
	1.	19	

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IF TAXABLE INCOME IS OVER	NOT OVER	TAX LIAB			
1	2480	9			
2400	3670	Đ		0.11	2480
347₽	4750	130.9	+	0.12	3670
4750	7618	260.5	+	0.14	4750
7010	9170	574.9		0.15	7010
9170	11659	900.9	+	0.16	9170
11656	13920	1297.7	+	0.18	11650
13921	16190	1706.3	+	0.2	13720
16198	19640	2168.3		0.23	16190
196 <del>4</del> 8	25360	2953.B	+	0.26	19640
25368	31080	4441		0.3	25360
31998	34800	6157	+	0.34	31080
36800	44780	8101.8	+	9.38	34800
447B9	59670	11134.2		0.42	44780
59 <i>67</i> 0	88270	17388	+	0.48	59470
88279		31116	+	0.5	88270
F TAXABLE INCOME IS OVER	NOT OVER	TAX LIAB			
IF TAXABLE INCOME IS OVER	1984	0		đ,1;	
	1860 16888	0	4	8.15	
0	1860 16888		4	8.15	1800
0 1800	1984	0 198	† †	0.15 0.28	1800 16808
1800 14800	1 000 1 6888 27888	0 198 2440	† †	8.15	1888 16888 27888
0 1800 16800 27008	1 000 1 6888 27888	0 198 2448 5304	† †	0.15 0.28 0.35	1888 16888 27888
0 1800 14800 27098 54098	1084 16888 27888 54880	0 198 2448 5304 14754	† † †	0.15 4.28 0.35 0.385	1888 16888 27888 54000
0 1800 14800 27008 54008 F TAXABLE INCOME IS OVER	1 884 1 688 8 2788 8 3488 0	0 198 2448 5304 14754	+ + + + + + + + + + + + + + + + + + + +	0.15 0.28 0.35	1888 16888 27898 54000
0 1800 14800 27008 54088 1F TAXABLE INCONE IS OVER	1884 1688 2788 3489d NUT GJER 17850	0 198 2448 5304 14734	† † † †	0.15 0.28 0.35 0.385	1888 16888 27888 54000 0 17850

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A1: IW251 TAX YEAR
... B1: 1986
                          Ci: '
                            F1: 1987
                            11: 1988
                          BZ; \-
C2: \-
                          F2: \-
                        62: \-
12: \-
                        J2: \-
A3: [W25] /TOTAL INCOME
C3: 25000
                        F3: '
G3: 25000
                          J3: 25000
                    A5: (M25) 'ADJUSTMENTS TO INCOME:
A7: (M25) ' MOVING EXPENSES
                 A7: (W25) ' MOUING EXPENSES
C7: 8
C7: REPEALED
J7: 'REPEALED
A9: (W25) ' EMP BUS EXP
C9: 0.03*C3
69: 'REPEALED
J9: 'REPEALED
A11: [W25] 'TOTAL ADJUSTMENTS
C11: (C74C7)
611: (MDNF)
                    611: 'NOME
                 611: 'NONE
Jii: 'NONE
A13: (M25) 'ADJ SROSS INC
C13: (C3-C11)
613: (63)
J13: (J3)
A15: (M25) 'ITEN DED
A17: [M25] 'MEDICAL EXP
A18: [M25] ' ACTUAL
B18: 0,046113
                    E18: 0.06#613
                 F18; /
I£0: (J13*0.06)
A19: [W25] / FLDOR
B19: 0.05*C13
             819: 0.05#C13

£19: 0.075#813

F19: (19: 0.075#213)

A20: [W25] (19: ALLOWED NED EXP

B20: AIF(818-B19)8,818-819,0)

E20: AIF(£18-£19)8,£18-£19,0)

E20: (19: ALLOWED NED EXP

E20: (19
             F20: '17(118-119)#,118-119,0)
A22: IW251 'TAXES
A23: IW251 'TAXES
                 823: 0.025#C13
                 F23: 0.025#613
                 123: (J13#4.625)
                 A24: IM25) ' SALES TAXES
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824: 9.01¥C;3
  F24: 'REPEALED
124: 'REPEALED
  A25: [W25] ' TOTAL TAXES
B25: (823+B24)
F25: (F23)
[25: (123)
  A27: LW251 *INTEREST
A28: LW251 * MORTGAGE
  B28: 0,1*C13
  F28; 0.1×613
 120: 0.14013

120: 0.1513

129: (1.0451) / CONSUMER (PHASED DUT)

129: 0.44013

129: 0.440.04613

129: 0.440.04613

129: 0.440.04613

130: (1201 / TOTAL INTEREST

130: (1201 / TOTAL INTEREST

130: (1201 / TOTAL INTEREST
  F30: (F28+F29)
  130: (128+129)
130: (1281)29)
A32: (M25) 'MISC EXP
A33: [M25] ' BP BUS EXP
B33: 0.015=013
F33: 0.88<(4.015=013)+(8.03=013))
33: 0.08<(4.015=013)+(8.03=013))
A34: (M25) ' LESS EMP BUS EXP FLOOR
B34: ' NOME
 F34: 8.02=613
 [34: 0.02*J[3
A35: [W25] / ALLOWED EMP BUS EXP
ASS: (M33) ALLOWED EMP BUS
635: (M33)
F35: #IF(F33-F34)0,F33-F34,0)
135: #IF(F33-F34)0,133-F34,0)
A36: (M25) ' MOUING EXP
#36: ' FOR AGI
F36: 0
 136: 0
 A37: (M25) ' ALLOWED HISC EXP
837: (835)
F37: (F35+F36)
137: (135+136)
A39: (M251 *TDTAL 1TBN DED
C39: (829+825+830+837)
 F39: (E20+F25+F30+F37)
 139: (120+125+130+137)
 A41: (W25) 'LESS ZBA/STNO DED
C41: 2480
F41: 2570
 I41: 3000
A43: [W25] 'ALLOW ITEM DED/STND DED
E43: 21F(C39-C41)0,C39-C41,8)
F43: 31F(F39-F41)0,F39,F41)
143: #IF(139-141)0,139,141)
445: [425] 'A61-ALLOW DED
C45: (C13-C43)
F45: (613-F43)
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145: (J13-143)
A47; [W25] 'LESS PERS EXEMPT
C47: 1989
  F47: 1980
[47: 1950
  A49: [W25] 'TAXABLE INCOME
C49: (C45-C47)
  F49: (F45-F47)
  149: (145-147)
149: (145-147)
A51: [W251 'TAX LIABILITY
C51: (3V.LOOKUP(C49,A68..H75,4)+(3V.LOOKUP(C49,A68..H75,6)+(C49-3V.LOOKUP(C49,A60..H75,7))))
F51: (3V.LOOKUP(F49,A88..H84,4)+(3V.LOOKUP(F49,A88..H84,6)+(F49-3V.LOOKUP(F49,A88..H84,7))))
151: (3V.LOOKUP(149,A98..H93,4)+(3V.LOOKUP(149,A98..H93,6)+(149-3V.LOOKUP(149,A98..H93,7)))
A53: [W251 'INCODEC IN TAX LIAB
F53: (F51-C51)
A55: [W251 'X CNAMME IN TAX LIAB
F55: [F32C51)
  155: (153/051)
 133: (133/23) 1F TAVABLE INCOME IS OVER
C58: 'NOT OVER
E58: 'TAX LIAB
A59: [M25] \-
 C59: \-
E59: \-
A68: [W25] 8
 C60: 2480
 E68: 0
 A61: [W25] 2480
 C61; 3679
 E61: f
661: 0.11
H61: 2480
 A62: [N25] 3678
 C62: 4750
 E62: 130.9
F62: "+
 662: 0.12
H62: 3479
A43: [W25] 4750
C63: 7010
E63: 260.5
F63: "4
 663: 0.14
 H63: 4758
A64: (W25) 7010
C64: 9170
E64: 576.9
F64: 4
B64: 0.15
K64: 7018
A65: [W25] 9170
C65: 11650
E45: 988.9
F65: "+
 665: 8.16
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H65: 9178
A66: EM253 11650
C66: 13928
E66: 1297.7
F66: "+
066: "1650
A67: CM251 13928
C67: 16190
E67: 1706.3
F67: "+
867: 0.2
H67: 13928
A68: LW251 16190
C68: 19648
E68: 2164.3
F68: "+
669: 8.23
H68: 16190
A69: CM251 19646
  A69: (M25) 19640

C69: 25360

F69: "+

569: 0.26

H69: 19640

A70: (M25) 25360

C70: 31880

E70: 4441

F70: "+
  670: 9.3
H70: 25340
A71: LW251 31880
C71: 36890
E71: 4457
F71: +
671: 0.34
H71: 3188
A72: LW251 34800
C72: 44780
E72: 8101.8
F72: 4780
E73: 14780
C73: 59470
E73: 11134.2
F73: +
673: 6742
H73: 44780
        678: 8.3
673: 6.42

H73: 44780

A74: (W25) 59670

C74: 88270

E74: 17388

F74: "+

674: 0.48

H74: 59676

A75: [W25) 88270
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E75: 31116
F75: *+
675: 0.5
H75: 88270
F76: '
    A78: (W25) / IF TAXABLE INCOME IS OVER
C78: /NOT OVER
E78: /TAX LIAB
    A79: [W25] \-
   A79: [M25] \-

C79: \-

E79: \-

A80: [M25] 0

C80: 1800

E80: 0

F80: "4

680: 0.11
    A81: [W25] 1800
CB1: 16800
    E81: 198
F81: "+
F81: **
681: 8.15
H81: 1890
A82: [W25] 16808
C82: 27000
E82: 2448
F82: **
682: 0.28
H82: 16808
A83: [W25] 27000
C83: 54000
E83: 5304
F83: **
683: 0.35
H83: 27000
A84: [W25] 54000
E84: 14754
F84: **
687: 0.385
H84: 54000
A88: [W25] /IF TAYABLE INCOME IS OVER
C88: *NOT OVER
E88: *TAX LIAB
F88: (W25] /-
    681: 8.15
   A89: [W25] \-
C89: \-
E89: \-
   A90: [W25] 0
   C90: 17850
 E90: 0
F90: +
698: 0.15
M90: 0
A91: (W251 17850
   C91: 43150
  E91: 2677.5
F91: "+
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691: 0.28 H91: 17850 A92: [W25] 43150 C92: 89540 E92: 9761.5 F92: 4 692: 0.33 H92: 43150 A93: [W25] 89540 E93: 25074.8 F93: 1 693: 0.28 H93: 89540

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