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House Republicans Release Tax Reform Blueprint

INTERNAL REVENUE SERVICE, INTERNATIONAL, TAX
BY

On June 24, G.O.P. members of the House of Representatives released their "A Better Way, Our Vision for a Confident America" blueprint to reform the tax code. Their plan calls for an overhaul of the U.S. Tax Code to create a fairer and simpler tax code for everyone. They do so by addressing three key areas that they believe are at the crux of how to fix what they perceive to be a broken tax code: fuel job creation and deliver opportunities for Americans, simplify the broken tax code and make it fairer and less burdensome, and transform the "broken" IRS into an agency focused on customer service. This article will highlight some of the thoughts set forth regarding tax reform by Speaker Ryan and the House Ways and Means Committee.

A BLUEPRINT TO REFORM THE TAX CODE

This blueprint aims to simplify, flatten, and lower tax rates on families and individuals. To achieve this goal, the blueprint reduces the number of tax brackets from seven to three; reduces the top marginal tax rate to 33%; repeals the Alternative Minimum Tax (AMT); creates a preferential tax rate for small businesses; adjusts the standard deduction to reduce the number of individuals who qualify to itemize their deductions; increases the child and dependent care credit; and eliminates the estate tax.

The reform blueprint sets forth a plan to reform taxes on businesses, both small and large. The document provides for an immediate deduction for capital assets purchased, both tangible and intangible alike. It also reduces the corporate tax rate from 35% to 20% while repealing the AMT on businesses, as well. The reform also eliminates some provisions, like the Domestic Production Activity Deduction, but continues to allow the Research and Development Credit as it is currently in the tax code.

One of the most significant changes in the plan would be with respect to what income is taxable to U.S. taxpayers. Currently, the United States taxes businesses (and individuals) on income earned globally, while most other countries tax income under a territorial system (based on in-country income). This blueprint would change the United States to a territorial income tax base consistent with the approach by many of its trading partners throughout the world. Many believe that U.S. businesses have been at a competitive disadvantage because they have been taxed on worldwide income.

The blueprint also calls for a retooled IRS. The committee proposes three distinct business units within the IRS: Families & Individuals, Businesses, and an

independent "small claims" court. The reform also suggests that the IRS Commissioner only hold office for a six-year term limit (a three-year initial appointment, and one additional three-year reappointment). The document also directs the IRS to improve its information systems to allow taxpayers to better communicate with the IRS in a manner more in line with current communication methods, including modernizing and securing online systems.

The blueprint puts forward many ideas to reform the tax code by reducing rates for both businesses and individuals and adjusting the overall tax approach to U.S. companies. The document labels itself as revenue neutral approach to tax reform by eliminating certain tax deductions to allow for overall reduced tax rates.

If you have any questions regarding this tax reform blueprint and how it may affect you personally or your business, [please contact a member of Schneider Downs Tax Advisory Services](#).

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