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The "Big Six's" Joint Statement on Tax Reform

TAX, TAX REFORM

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A group of ranking members of both the legislative and executive branches recently issued a statement listing their goals for unified tax reform. The "Big Six" is composed of: House Speaker Paul Ryan (R-WI), Senate Majority Leader Mitch McConnell (R-KY), House Ways and Means Committee Chairman Kevin Brady (R-TX), Senate Finance Committee Chairman Orrin Hatch (R-UT), Treasury Secretary Steven Mnuchin, and National Economic Council Director Gary Cohn. A number of talking points were provided that are along similar lines as in the 2016 House Republican Blueprint and the Trump administration's principles released in April.

Some of the main points include:

- Tax rate relief to individuals, small businesses, and corporations (through lower rates and fewer brackets)
- "Unprecedented" capital expensing (as opposed to capitalizing an asset and then depreciating its expense over a number of years)
- Potential limitations on the deductibility of interest from business lending (to encourage growth through investing rather than through more lending)
- A way to bring back overseas profits (the U.S. being one of the only countries to tax a business on its global earnings)
- The desire for permanent tax cuts (as opposed to the temporary Bush tax cuts from 2001 and 2003 that expired after 10 years)

The statement also took off the table the so-called "border-adjustment tax" (BAT), which would have increased taxes on imported goods and offered more incentives for local manufacturing. It was seen as controversial by a large number of businesses. The potential benefit would have been an estimated \$1 trillion dollars in extra tax revenues over 10 years. In moving away from the potential tax windfall, the "Big Six" will need to look into other ways of raising revenues or otherwise offer shallower rate reductions than have previously been called for. A number of recent studies have shown that a reduction from 35% to 26%-28% is now more likely than House Speaker Ryan's proposal of 20% or President Trump's goal of 15%.

The joint statement noted a goal of tax legislation moving through committee this fall. It remains to be seen if it will go through the full regular legislative process (requiring at least 60 votes in the Senate) or through budgetary reconciliation (similar to recent healthcare reform attempts). If the latter, any new taxes that are not "revenue neutral" after the budget period (historically, 10

years) will expire (the so-called Byrd rule). After their August recess, Congress will also need to address the Government's 2018 budget and the raising of the debt ceiling. Many have also expressed a desire for quick movement before the start of the 2018 midterm election season.

Senate Finance Committee Ranking Member Ron Wyden (D-OR) subsequently released a statement objecting to the "Big Six" not including any Democrats in recent tax talks and to the idea of providing tax cut ideas without the specifics of how they will be achieved or funded.

As more details and developments emerge on the tax reform plan, we will continue to keep you informed by continuously updating the [Schneider Downs Tax Reform Page](#). For more information, [contact Schneider Downs](#) or [visit the Our Thoughts On blog](#).

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