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The Border Adjustment Tax is Out of the Tax Reform Plan

AUTOMOBILE, TAX, TAX REFORM
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A hot topic at the National Auto Dealers Association Convention back in January was the Border Adjustment Tax ("BAT"). Auto dealers can be relieved to know that the BAT has been pulled from the proposed tax reform plan.

With the current administration seeking tax cuts and looking for alternative ways to make up for lost revenues, the BAT was one of the proposed methods. It proposed tax incentives for U.S. companies that exported goods and disincentives for those that import.

The proposed incentive would have created a taxable income reduction for profit made on the sale of exported products, while the proposed disincentive would have provided a taxable income increase by disallowing expenses for the cost of products imported.

The proposed BAT would have been potentially devastating to the automotive industry. Most auto manufacturers have import expenditures that far outweigh export revenue. This scenario would have resulted in more taxable income and more tax paid by the manufacturers. How would they have handled this? Would the additional costs been pushed onto dealers, then ultimately onto consumers? How would this have impacted sales on already slow-moving inventory?

The good news is we don't need to worry about any of these questions. The death to the BAT is a win for the automotive industry and should have auto dealers jumping for joy.

For more information or to discuss the BAT, please contact us.

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