

# TaxNewsFlash

## United States

No. 2017-310  
July 27, 2017

### **Administration and congressional Republican leaders release statement on tax reform**

The “Big Six”—House Speaker Paul Ryan (R-WI), House Ways and Means Committee Chair Kevin Brady (R-TX), Senate Majority Leader Mitch McConnell (R-KY), Senate Finance Committee Chair Orrin Hatch (R-UT), National Economic Council Chair Gary Cohn, and Treasury Secretary Steve Mnuchin—today released a joint statement on Republican tax reform efforts.

The [\*\*joint statement\*\*](#) (as posted on Treasury's website) indicates that the Big Six are “confident that a shared vision for tax reform exists” and are prepared for the House Ways and Means and Senate Finance committees to “take the lead and begin producing legislation for the President to sign.”

It also expressly states that a decision has been made to set aside border adjustability in order to advance tax reform.

#### **Areas of consensus; process**

#### **Areas of consensus**

The statement highlights lower tax rates for families and businesses (small and large), “unprecedented capital expensing,” and bringing back “profits trapped overseas.” More specifically, the statement says:

*Above all, the mission of the committees is to protect American jobs and make taxes simpler, fairer, and lower for hard-working American families. We have always been in agreement that tax relief for American families should be at the heart of our plan. We also believe there should be a lower tax rate for small businesses so they can compete with larger ones, and lower rates for all American businesses so they can compete with foreign ones. The goal is a plan that reduces tax rates as much as possible, allows unprecedented capital expensing, places a*

*priority on permanence, and creates a system that encourages American companies to bring back jobs and profits trapped overseas. And we are now confident that, without transitioning to a new domestic consumption-based tax system, there is a viable approach for ensuring a level playing field between American and foreign companies and workers, while protecting American jobs and the U.S. tax base. While we have debated the pro-growth benefits of border adjustability, we appreciate that there are many unknowns associated with it and have decided to set this policy aside in order to advance tax reform.*

## **Process**

The statement indicates that the tax reform process will follow “regular order” in which the Ways and Means Committee and Finance Committee will be responsible for drafting legislation. Specifically, the statement says:

*Given our shared sense of purpose, the time has arrived for the two tax-writing committees to develop and draft legislation that will result in the first comprehensive tax reform in a generation. It will be the responsibility of the members of those committees to produce legislation that achieves the goals shared broadly within Congress, the Administration, and by citizens who have been burdened for too long by an outdated tax system. Our expectation is for this legislation to move through the committees this fall, under regular order, followed by consideration on the House and Senate floors. As the committees work toward this end, our hope is that our friends on the other side of the aisle will participate in this effort. The President fully supports these principles and is committed to this approach. American families are counting on us to deliver historic tax reform. And we will.*

## **KPMG observation**

Today’s joint statement appears intended to build momentum for tax reform; to show that there are areas of consensus between congressional Republicans and the administration and that progress is being made; and to assure members of Congress that the process will follow regular order (rather than being a “top down” process in which congressional leadership largely dictates the substance of the legislation). It also appears designed to send a clear message that border adjustability has been set aside.

The statement does not include technical details regarding the issues on which there is consensus (including details as to how much individual and business rates might be cut). Nonetheless, based on the language of the statement, the general areas of consensus appear to include:

- Lower individual rates
- Lower rates for passthrough entities
- Lower C corporation rates
- Some form of capital expensing

- Some permanent provisions
- Repatriation of existing foreign earnings
- No border adjustability, but an unspecified approach to “ensure a level playing field between American and foreign companies and workers, while protecting American jobs and the U.S. tax base”

The statement does not address possible revenue offsets, including the deductibility of interest and the deductibility of state and local taxes. Nevertheless, the fact that priority is being placed on permanence suggests that some revenue offsets might be on the table. Very generally, this is because if tax reform is moved through budget reconciliation procedures, the revenue costs outside the “budget window” would have to be offset. Read [\*\*TaxNewsFlash\*\*](#) for more information on the budget reconciliation process.

Notably, today's statement also does not explicitly address a variety of other tax proposals that have been raised, such as repealing the estate tax or territorial international taxation.

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at +1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)