TaxNewsFlash

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U.S. House Ways and Means Committee releases tax reform bill

The Ways and Means Committee of the U.S. House of Representatives today released text and descriptions of a tax reform bill.

Tax reform bill

Article One, Section 7 of the U.S. Constitution requires all revenue bills to begin in the House of Representatives.

Accordingly, the chairman of the House Ways and Means Committee, Kevin Brady (R-TX), today initiated the tax reform process in the House with the release of a "Chairman's mark" of a tax reform bill.

- Read **legislative text of H.R. 1** [PDF 988 KB] and a **section-by-section summary** [PDF 643 KB] prepared by the Ways and Means Committee.
- Read a related **Ways and Means press release**.
- Read a revenue estimate prepared by the Joint Committee on Taxation: **JCX-46-17**

CAUTION: These are large documents, with the text being 429 pages and the section-by-section summary being 82 pages. Consider your printer capacity before printing.

KPMG will be providing descriptions and initial impressions of these tax reform proposals in follow-up editions of *TaxNewsFlash*. This edition is simply intended to provide text of the bill (and related documents), as released today by the Ways and Means Committee.

Overview of the tax reform process

The documents released today provide a first look at the details of proposals that have been discussed at a high level for several months, and a first look at revenue raisers that are being proposed to pay for some of the policy modifications.

It is important to keep in mind that the road to tax reform is still a long one. The Chairman's mark generally represents the Ways and Means Chairman's—and by proxy, the committee staff's—proposal for tax reform. It does not necessarily include the input and priorities of the full committee. The next step in the process is likely the release by Ways and Means Chairman Brady of an updated document (a "Chairman's modified mark") prior to the committee markup. That document could incorporate changes—perhaps significant ones—to the Chairman's mark. The modifications could be the result of technical improvements to the original document or could be the result of changes designed to increase the likelihood of committee approval of the bill or the bill's prospects in the future. Additionally, it is possible that amendments could be approved during the markup by the Ways and Means Committee—changes that would further modify the bill prior to possible final approval by the committee.

If the Ways and Means Committee approves (reports out) the bill, the next stop would be before the House Rules Committee that would set the terms and conditions of House debate on the bill. House Republican leadership has indicated a goal of passing the bill through the full House by the Thanksgiving recess.

On the Senate side of the Capitol, Senate Finance Committee Chairman Orrin Hatch (R-UT), according to reports, is also contemplating relatively swift action on a tax bill. It is possible that Chairman Hatch could release his mark as early as the week of November 6th with Finance Committee action possible prior to the Thanksgiving recess. At this point, it is unclear to what extent a mark released by Chairman Hatch would differ from the mark released by Chairman Brady or from a bill that ultimately might be approved by the House.

Obviously, these aggressive legislative schedules could be delayed by any number of issues—policy, political or otherwise.

When examining the Ways and Means Chairman's mark or any subsequent version of a tax reform bill, it is important to keep in mind that the bill would be at least partially shaped by the need to comply with budget reconciliation requirements. In accordance with the requirements of the FY 2018 budget (approved by the Senate on October 19 and by the House on October 26) that governs consideration of this tax reform bill, any version of the tax reform bill may only increase the deficit by a maximum of $1.5 trillion (over 10 years).

Also to retain the protection from a Senate filibuster as provided under the reconciliation rules, the bill would have to satisfy a number of complex procedural requirements. One of the many requirements is that a reconciliation bill must not increase the long-term deficit of the United States—that is, a reconciliation bill may not be a net tax cut in any year beyond the 10-year budget window (although this bill may have up to $1.5 trillion net tax cut within the 10-year window).

At this point, it is unknown to what extent House and Senate versions of a tax reform bill would differ from each other. Since, ultimately, the House and Senate must pass identical versions of a bill before sending it to the president for his signature or veto, these differences would have to be negotiated between the two houses. The more significant the differences between the two bills, the longer it could take to negotiate a conference report.

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