

Federal Tax Policy: 2015 and Beyond

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Politics and Gridlock??



Politics and Gridlock (cont.)

- House GOP conference
- House speaker election, procedural changes
- Ways and Means Committee
- Senate GOP majority
- Senators running for President
- 2016 House and Senate races

Focus on 2016

- Presidential elections
- Senate - - GOP 24 seats, 10 Dem. seats
 - Seven GOP seats in states which Obama has won - - Fla., Iowa, Ohio, Pa., Wisc., N.C., and Ind.
- 2016 GOP seats were part of 2010 wave
- Senate in 2018 - - Dem. seats 24, 8 GOP seats
 - 7-9 toss-ups but only two are GOP seats

2015 Must Dos?

- Debt limit - - 11/3 to 3/16/17
- Highway - - 10/29 to 11/20
- CR/Sequestration fix - - Dec. 11th through FY 2017
- Ex-Im Bank - - resolved
- Trade bill - - in conference
- Reconciliation for ACA - - pending
- Medicare Part B -- fixed
- FAA - - March 2016
- Leftovers from 2014
 - Tax Reform
 - Tax Extenders - - with highways or CR or ?
 - Inversions and Intl reforms as offsets?
 - Internet Tax Freedom / Marketplace Fairness - - Dec.11
 - Tax treaties (Swiss, Lux, Hungary, Chile, Poland, Spain, Japan)

Budget Deal

- Debt Limit Extension
- Raise Sequester Caps
- Crop Reinsurance, SPRO sell off, Spectrum sales
- Medicare Part B
- Pension changes
 - PBGC rates
 - Interest rate smoothing
 - Mortality tables
- Partnership changes
 - Audits
 - Gifts

Partnership Audits

- Repeals TEFRA and ELP rules
- Applies to all partnerships
 - Election out if 100 or fewer partners
- Adjustments made at Partnership level
 - Generally at top rates
 - Partnership has 270 days to demonstrate reductions
- Assessment at Partnership level
 - Election out if adjustments flowed thru w/in 45 days
 - Interest at AFR + 5%
- Effective for post-2017 tax years

Tax Extenders

- Senate Finance bill- - over 50 provisions for two years
 - Current policy plus some policy changes
 - Offsets
 - Cost \$84B
- House - - handful of provisions permanent (R&D, 179, bonus AFE, CFC look thru, S Corp, charitable, education)
- Possible outcomes?
 - All Senate items plus a some House and Administration permanent bills
 - Senate Finance Committee bill
 - One-year extension
 - Do nothing

The Puzzle of Tax Reform



Drivers of Tax Reform

- History
- Budgetary situation
- Tax rates
- International system
- Different effective and cash tax rates
- Simplification

The Scope of Tax Reform

- Comprehensive
- Business only
- Corporate only
- International only
- New revenue source (VAT, carbon)

Conflicts

- Individuals v. Business
- Corporate v. Pass throughs
- Capital Intensive v. Service Oriented
- High Tech v. Old School
- Domestic v. International
- U.S. Based v. Foreign Based Multinationals

Tax Reform To Date

- Bowles-Simpson Commission
- Administration “Blueprints” and Proposals
- House and Senate Hearings
- Senate White Papers and Memos
- House and Senate Working Groups
- SFC Chairmen Proposals
- Camp Proposals and H.R. 1

H.R. 1—Camp Proposal

- Corporate and Individual Rate Reductions
- Territorial System
- Domestic Base Broadeners
- Revenue Neutrality
- Dynamic Scoring

International Tax Aspects

- Inversions
- BEPS
- Deferred Earnings
- Territorial v. Worldwide; Reality is a Hybrid
- Minimum Tax
- Innovation Boxes

Political Dynamics

- Presidential Leadership
- Speaker Ryan
- Senate Leadership
- Committee Chairs