

PUBLICATION

Details of Tax Reform Proposal Slowly Come into Focus

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While tax reform watchers wait for the White House's September tax reform proposal, the House Ways and Means Committee is moving forward. On July 13 and 19, the Committee held hearings examining the potential impact of tax reform on America's small businesses and on families and individuals. Senator Orrin Hatch (R-UT), Chair of the Senate Finance Committee, is also soliciting suggestions from interest groups on items to include in this fall's tax reform push.

The effort gained significant momentum on July 27, when Speaker Ryan, Leader McConnell (R-KY), Chairman Hatch, House Ways and Means Committee Chairman Kevin Brady (R-TX), Treasury Secretary Steven Mnuchin and Chief Economic Advisor to the President Gary Cohn released a joint statement emphasizing their shared goals of lowering tax rates, increasing capital expensing and implementing permanent changes to the tax code. The statement also indicated that Speaker Ryan's border adjustability proposal has been jettisoned and that the leadership in the Senate will move the bill through "regular order," allowing the relevant committees to draft, debate and amend the legislation before it moves to the floor for consideration.

During a recent radio interview, Chairman Brady decried the ten-year limit on tax measures adopted via budget reconciliation, musing that he would ideally like the "temporary" tax cuts implemented under reconciliation to be in effect for a longer period. Senator Pat Toomey (R-PA), senior administration officials, and a number of conservative news outlets and organizations have also raised this issue in recent weeks, increasing the likelihood that a longer limit might be included in the next budget reconciliation package.

Takeaway: Momentum toward a tax reform package is building as congressional Republicans continue their outreach to the White House and the private sector. Expect an outline of the proposal to be released sometime in September. Note, the future of various Affordable Care Act tax provisions and any potential effects on the federal budget of health reform will have a significant impact on the fiscal baseline and potential timeline for tax reform legislation.