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GOP Leadership Releases "Big Six" Tax Framework

In late September, Republican leadership in the House, Senate, and White House released their collectively proposed framework for a comprehensive tax proposal. The proposal, referred to as the "Big Six," was introduced by its sponsors as an incentive to lower taxes on business investment, while simplifying a number of aspects of the current federal tax code.

The proposal itself was the long anticipated "tax solution" touted by the new Administration, and outlines significant overhaul and recommendations for Personal Income Taxes, as well as Business Income Taxes, and Estate Taxes. While as always, the devil will remain in the details (which in this case will be the interpretation details hammered out in the varied tax writing committees), below is the outlined framework of the Business and Estate Income Taxes, as provided by the Tax Foundation.

Corporate Tax Rate: Lowers the corporate income tax rate from 35 percent to 20 percent. Eliminates the corporate alternative minimum tax.

Pass Through Tax Rate: Creates a new maximum tax rate on pass-through business income, of 25 percent. Calls for, but does not specify, rules for combating abuse of a top tax rate on pass-through business income that is lower than the top tax rate on wage income.

Capital Investment: Allows full expensing for short-lived capital investment, such as equipment and machinery, for at least five years. Does not provide details about the tax treatment of long-lived capital investment, such as buildings and structures.

Tax Treatment of Interest: Calls for a partial limitation of the interest deduction for C corporations, with no additional details. Provides no details about the treatment of interest paid by pass-through businesses.

Business Credits & Deductions: Eliminates the section 199 manufacturing deduction. Calls for the elimination of other business credits and deductions, without identifying specific provisions. Calls for preserving the research and development credit and the low-income housing tax credit.

International Income: Moves to a territorial tax system, in which foreign-source profits of U.S. companies are not generally subject to U.S. tax upon repatriation. Calls for, but does not specify, a global minimum tax intended to protect the U.S. tax base from cross-border income shifting.

Deemed Repatriation: Enacts a one-time tax on previously accumulated foreign-source earnings. Calls for a lower tax rate on liquid foreign assets and a higher tax rate on illiquid foreign assets, but does not specify either rate.

Estate Tax: Eliminates the estate tax and generation-skipping taxes.

With such a recent introduction of this tax policy, MACNY will be working with our members and association partners in determining the specific impact the Big Six Tax Framework will have on our businesses and sector as a whole. As always, I love hearing from each of you, so please contact me at kburns@macny.org or 315.474.4201 ext. 13 if you would like to participate in our efforts.

Source: The Tax Foundation, www.thetaxfoundation.org