



Tax

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## Taxwriters elaborate on international reform agenda for 2016

Senior congressional taxwriters this week continued the drumbeat for international tax reform in 2016, with both House Ways and Means Committee Chairman Kevin Brady, R-Texas, and Senate Finance Committee Chairman Orrin Hatch, R-Utah, speaking out about their plans for committee activity.

### International reform

In remarks at an event sponsored by *Politico* on January 11, Brady said he intends to hold a vote on international tax reform legislation this year and declared himself “optimistic” about its prospects. Hatch told reporters at Bloomberg BNA that legislation on international taxes will “be one of the things we work on right off the bat.”

Brady reiterated his plans later in the week as congressional Republicans met for a three-day retreat in Baltimore to discuss their legislative agenda for 2016. Speaking to reporters on January 14, Brady noted that pressures created by corporate inversions and the need to “[bring] home stranded profits” from overseas make it “very important that we advance [international tax reform] as far as we can in this year.”

Also weighing in this week were Ways and Means Tax Policy Subcommittee Chairman Charles Boustany, R-La., and Senate Finance Committee member Charles Schumer, D-N.Y., who last year pushed for the adoption of an “innovation box” that would provide a lower tax rate for certain income from patents and a broad range of other intellectual property, and who were also involved in a broader potential deal to combine international tax reform with infrastructure funding. While a long-term highway bill was eventually funded through other means in the fall, both Boustany and Schumer have continued to talk about advancing legislation that would make US companies operating overseas more competitive.

**Partisan disagreements over deemed repatriation linger:** One potential sticking point in the international tax reform debate that remains from last fall's discussions involves how to use one-time revenue from a deemed repatriation levy on previously untaxed foreign-source income of US multinationals. (A deemed repatriation tax likely would be included in an international reform plan as part of the transition from a worldwide to a territorial system of taxation.)

Schumer recently told a New York-based reporter that he remains in talks with House Speaker Paul Ryan, R-Wis., on international reform and that he continues to support using revenue from deemed repatriation to pay for new infrastructure spending. Republicans have generally favored using any revenue generated from international tax reform to offset the cost of other changes to the tax code, possibly including lowering corporate tax rates. However, Ways and Means Chairman Brady stated in his remarks at the *Politico* event that he is focusing on the big picture for now.

"I'm convinced if we start trying to figure out how to spend the money rather than getting the policy right we're making a mistake," he said.

### **Laying the groundwork for comprehensive reform**

Republicans acknowledge that comprehensive tax reform as they envision it is off the table until there is a change in the White House, but they have characterized this year as their opportunity to lay the groundwork for what they hope will be a successful legislative effort under a new Republican administration in 2017. Brady signaled his ambitious thinking when he told the *Politico* audience that he believes the right corporate rate is "under 20 percent" – down dramatically from the current 35 percent. While the figure that taxwriters have frequently mentioned in recent years is 25 percent, Brady said he thinks tax reform needs to provide a "bold number" that will allow the US to "leapfrog" over other countries that have continued to lower their rates.

**Hearings on tap:** Brady told reporters at the congressional GOP retreat that the Ways and Means Committee will hold a series of tax policy-related hearings this year, but noted the specific topics to be addressed at those hearings will be discussed when Republicans on the taxwriting panel gather for their own retreat later this month.

**Nunes introduces business tax reform proposal:** Adding to the material taxwriters and other stakeholders will consider in the context of reform, Ways and Means Committee member Devin Nunes, R-Calif., on January 13 introduced the American Business Competitiveness Act (H.R. 4377), which calls for a top rate of 25 percent (phased in over 10 years) for all businesses regardless of whether they are organized as passthroughs or C corporations. The bill also calls for 100 percent expensing, the elimination of all other business credits and deductions (including the deduction for business interest), and the adoption of a territorial system for taxing foreign-source income of US multinationals.

**URL:** <http://nunes.house.gov/legislation/tax-reform.htm>

The bill was introduced with 26 original co-sponsors – all Republicans – including Ways and Means Tax Policy Subcommittee Chairman Boustany as well as taxwriters Pat Tiberi of Ohio

and George Holding of North Carolina. Nunes' staff have indicated they are not currently pursuing an official estimate of the bill's revenue impact.

Brady told reporters at the GOP congressional retreat that Nunes' proposal will be considered at a Ways and Means Committee hearing this year.

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## President vetoes PPACA repeal bill

President Obama late last week vetoed legislation approved in the House and Senate that would have repealed the bulk of the tax provisions enacted in the Patient Protection and Affordable Care Act of 2010 (PPACA) – including the excise tax on the sale of medical devices and the “Cadillac” tax on certain high-cost employer-sponsored health insurance plans – and blunted the impact of the PPACA’s health insurance coverage mandates for individuals and employers.

The Restoring Americans’ Healthcare Freedom Reconciliation Act of 2015 (H.R. 3762) won passage in the House on January 6 and cleared the Senate last month under the fast-track budget reconciliation process, which allows for passage of certain legislation in that chamber by a simple majority vote, as opposed to the 60 votes normally required to clear procedural hurdles. It was the first bill undermining core provisions of the PPACA to clear both chambers of Congress and make its way to the White House. (For prior coverage and details on the provisions of H.R. 3762, see *Tax News & Views*, Vol. 17, No. 2, Jan. 8, 2016.)

[URL: http://newsletters.usdbriefs.com/2016/Tax/TNV/160108\\_1.html](http://newsletters.usdbriefs.com/2016/Tax/TNV/160108_1.html)

The veto was expected. In recent years, the president had consistently vowed to reject dozens of proposals to undo the PPACA that were approved in the House but ultimately failed to advance in the Senate.

“Republicans in the Congress have attempted to repeal or undermine the Affordable Care Act over 50 times,” Obama said in his January 8 veto message. “Rather than refighting old political battles by once again voting to repeal basic protections that provide security for the middle class, members of Congress should be working together to grow the economy, strengthen middle-class families, and create new jobs. Because of the harm this bill would cause to the health and financial security of millions of Americans, it has earned my veto.”

[URL: https://www.whitehouse.gov/the-press-office/2016/01/08/veto-message-president-hr-3762](https://www.whitehouse.gov/the-press-office/2016/01/08/veto-message-president-hr-3762)

House Speaker Paul Ryan, R-Wis., indicated in a January 8 news release that the House will hold a vote to override the veto, “taking this process all the way to the end under the Constitution.” Because H.R. 3762 did not pass by a veto-proof – that is, two-thirds – majority in either chamber, an override vote is unlikely to be successful; however, Ryan contended in his news release that the PPACA eventually “will collapse under its own weight, or it will be repealed.”

[URL: http://www.speaker.gov/press-release/speaker-ryan-responds-president-s-veto-obamacare-repeal](http://www.speaker.gov/press-release/speaker-ryan-responds-president-s-veto-obamacare-repeal)

“We have shown now that there is a clear path to repealing Obamacare without 60 votes in the Senate. So, next year, if we’re sending this [repeal] bill to a Republican president, it will get signed into law,” Ryan said.

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**Have a question?**

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