



Tax

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Hatch announces corporate integration hearing; Ways & Means subcommittee considers tax code 'improvements'

With Congress back from recess, talk of tax reform resumed on both sides of the Capitol this week as Senate Finance Committee Chairman Orrin Hatch, R-Utah, announced plans for a hearing on corporate integration and the House Ways and Means Tax Policy Subcommittee discussed proposals to improve the tax code.

Corporate integration

According to a release from Chairman Hatch, the Finance Committee hearing, which is scheduled for May 17, will “examine corporate integration, and specifically, how allowing corporations to deduct dividends could create a more efficient and fairer system of taxation of corporate profits.” Hatch, who is developing a discussion draft of a corporate integration proposal, has said in recent months that he believes the double taxation of certain corporate profits to be distortive and inefficient and that removing it in a revenue neutral plan will help make American corporations more competitive globally.

While his discussion draft is not expected until sometime in June – after the Joint Committee on Taxation (JCT) has scored it – Hatch has scheduled the hearing to allow the other Finance Committee members to explore how a corporate integration proposal with a dividends paid deduction may work in the broader context of tax reform. Witnesses will include Michael Graetz of Columbia University, Judy Miller of the American Retirement Association and the American Society of Pension Professionals and Actuaries, Steven Rosenthal of the Urban-Brookings Tax Policy Center, and Bret Wells of the Law Center at the University of Houston.

Although relatively few details of the proposal have emerged thus far, Finance Committee Majority Deputy Staff Director and Chief Tax Counsel Mark Prater recently offered some indication of what to expect when the draft is released. Speaking at the American Bar

Association Section on Taxation's annual conference on May 6, Prater said the draft will be accompanied by revenue estimates as well as a distribution table to show progressive and regressive aspects of the proposal. Prater also indicated that the committee would hold more than one hearing on issues related to corporate integration.

Hatch has said corporate integration can be a component of an international tax, business tax, or comprehensive tax reform plan and that a plan like his could "lay the groundwork for a comprehensive tax overhaul while also incentivizing American job creators to keep doing business here at home."

Tax Policy Subcommittee 'Member Day' hearing

Across the rotunda, the House Ways and Means Tax Policy Subcommittee held its third "Member Day" hearing of the year on May 12, offering nearly 40 House members – taxwriters and nontaxwriters alike – an opportunity to spend three minutes each discussing any legislation for "improvements to the current US tax code" they have sponsored this session.

URL: <http://waysandmeans.house.gov/event/member-day-hearing-on-tax-legislation/>

Subcommittee Chairman Charles Boustany, R-La., welcomed Ways and Means Chairman Kevin Brady, R-Texas, to kick off the hearing, and Brady emphasized that this session was a part of the committee's move to return to regular order.

"Our hearing today is an important step in fulfilling our commitment to creating opportunities for legislators to be legislators when it comes to tax ideas... [and] demonstrates that we are serious about considering tax legislation through an open and transparent process," Brady said.

Tax Policy Subcommittee ranking Democrat Richard Neal of Massachusetts commended Brady for his efforts to allow ideas from the minority be considered but noted that many bills have "languished in legislative purgatory due to committee inaction." Neal also said he believes the committee should work to approve as many noncontroversial and bipartisan bills as possible in order to build "good will and comity" among the committee's members.

"After all, how can we be expected to pass a large tax reform package without passing smaller, noncontroversial items?" he asked.

Tax legislative priorities: Chairman Boustany led off the long list of legislative priorities advocated during the hearing by discussing several of his own proposals, including legislation addressing the implementation of the country-by-country reporting requirement that emerged from the Organisation for Economic Cooperation and Development's (OECD) Base Erosion and Profit Shifting (BEPS) plan (H.R. 4297) and a bill that would allow certain small businesses that do not offer group health insurance coverage to establish a health reimbursement arrangement (H.R. 2911).

Other members of the subcommittee highlighted their own legislation, frequently noting that the proposals have bipartisan support.

The three dozen nontaxwriters who followed discussed legislation touching myriad areas of the tax code, from expanding the earned income tax credit and strengthening the research and development tax credit to proposals affecting the tax treatment of citrus farmers, philanthropic organizations, military retiree benefits, and alcohol excise taxes.

Bottom-up approach: The Member Day hearings are part of a larger effort by House Speaker Paul Ryan, R-Wis., to develop a “bottom-up” approach to tax reform that involves rank-and-file members as well as the Ways and Means Committee.

The Tax Policy Subcommittee has already held two such hearings – one on cash-flow and consumption-based proposals and one addressing fundamental tax reform. (For prior coverage, see *Tax News & Views*, Vol. 17, No. 13, Mar. 25, 2016, and *Tax News & Views*, Vol. 17, No. 15, Apr. 15, 2016.) For his part, Ways and Means Health Subcommittee Chairman Pat Tiberi, R-Ohio, announced this week that his panel will hold a Member Day hearing of its own on May 17 to consider proposals from House members related to health care policy in the tax code.

[URL: http://newsletters.usdbriefs.com/2016/Tax/TNV/160325_2.html](http://newsletters.usdbriefs.com/2016/Tax/TNV/160325_2.html)

[URL: http://newsletters.usdbriefs.com/2016/Tax/TNV/160415_2.html](http://newsletters.usdbriefs.com/2016/Tax/TNV/160415_2.html)

Speaker Ryan hopes to have a GOP tax policy “blueprint” completed before the House breaks in July for the Republican national convention.

New JCT report describes federal tax system in 2016

Against the week’s backdrop of tax reform discussions, meanwhile, the JCT staff released a report on May 10 describing the federal tax system as in effect for 2016. The report provides a broad overview of current law related to:

[URL: https://www.jct.gov/publications.html?func=startdown&id=4912](https://www.jct.gov/publications.html?func=startdown&id=4912)

- The individual and corporate income taxes and alternative minimum tax regimes;
- Payroll taxes on wages – and corresponding taxes on self-employment income – to finance various social insurance programs;
- Estate, gift, and generation-skipping taxes; and
- Excise taxes on selected goods and services.

Also included are historical tables providing data on federal tax receipts, the number and types of business returns filed, and the Social Security taxable wage base and rates of tax, as well as tables for 2016 examining projected tax receipts by source, marginal tax rates on labor and long-term capital gain (by income category), distribution of income and taxes, and average tax rates.

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