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Contours of Trump, Clinton tax plans emerge as general election campaign unfolds

With nominating conventions behind them and the general election campaign now moving into high gear post-Labor Day, Republican presidential candidate Donald Trump and Democratic candidate Hillary Clinton have begun to make their final case to the voters, with their respective economic visions and their plans for reshaping the tax code playing an important if not always prominent role.

The discussion to date from both camps has been conducted largely in broad strokes and neither candidate has provided the kind of technical detail necessary to explain how many of their specific proposals would operate. Based on the information they have provided, however, two things are apparent: first, both Trump and Clinton seem intent on changing the nation's tax laws by working within the confines of the current income tax system rather than attempting to move toward a consumption-based tax or other alternative system; and, second, the changes they are likely to propose once in office largely reflect their respective party orthodoxies.

This edition of *Tax News & Views* examines the details of the proposals the two candidates have released thus far and compares the likely directions in which a Trump presidency and a Clinton presidency would seek to move tax policy. It also briefly considers how the results of the congressional elections could affect the prospects for action on tax issues, including comprehensive tax reform, in 2017.

A table offering a side-by-side comparison of selected individual and business tax proposals from the two presidential candidates is available from Deloitte Tax LLP.

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URL: http://newsletters.usdbriefs.com/2016/Tax/TNV/160906_1suppA.pdf

Trump: Lower rates and a broader base

Trump's economic advisors are in the process of recalibrating the tax reform plan the candidate unveiled late last year, which was recently taken down from his campaign Web site. Based on remarks that Trump made at the Detroit Economic Club on August 8, the revised plan is expected, like the original version, to follow the traditional Republican approach of offering significant reductions in the corporate and individual tax rates along with base-broadening provisions that would limit or repeal various deductions, credits, and incentives. In certain ways, the revised plan will mirror the House Republican tax reform blueprint unveiled on June 24 by Speaker Paul Ryan of Wisconsin and Ways and Means Committee Chairman Kevin Brady of Texas.

Business taxes: Trump indicated in his Detroit speech that his revised tax plan will retain his earlier proposal to reduce the top corporate tax rate and the top rate on passthrough business income to 15 percent – below the top corporate rate of 20 percent and the top passthrough rate of 25 percent proposed in the House Republican blueprint.

In a departure from his original plan, however, Trump told the Detroit audience that he now supports full expensing of assets in year one, thus aligning himself with the GOP blueprint. He did not, however, state whether he intends to modify his position on the deductibility of business interest. Proposals to allow full expensing are usually accompanied by a limitation on the deductibility of business interest to prevent taxpayers from achieving very low, or even negative, effective tax rates on debt-financed capital investments. Trump's original tax reform plan proposed to phase-in a "reasonable cap" on the deduction while the GOP blueprint takes a harder line, calling for the elimination of current deductions for net interest expense (i.e., interest expense in excess of net income). In recent comments to the press, however, advisors to the Trump campaign have indicated that he remains opposed to repealing the deduction.

Trump did not explicitly state whether his revised plan will include a proposal to repeal the corporate alternative minimum tax (AMT). (Under his original plan and the GOP blueprint, the corporate AMT would be repealed.)

Although he did not address the issue in his Detroit speech, Trump has in the past called for reducing or eliminating certain "special interest" corporate tax preferences as well as preferences made "unnecessary or redundant" as a result of the rate reduction. This likely will remain part of his revised plan given his campaign's stated desire to reduce the estimated revenue loss associated with the original version (an issue discussed further below), although he has yet to provide specifics on which preferences would be curtailed. (The House GOP blueprint likewise includes a general call for eliminating most current-law business deductions, credits, and incentives, although it does propose to keep at least a few, including an incentive for research and development.)

International tax rules: Discussion of international tax issues in Trump's Detroit speech was limited to a renewed call for a one-time deemed repatriation of accumulated deferred foreign income at a 10 percent tax rate. By contrast, the House GOP blueprint, like the tax reform proposal offered in 2014 by then-Ways and Means Committee Chairman Dave Camp, R-Mich., advocates a one-time deemed repatriation with differential rates for cash (8.75 percent) and noncash assets (3.5 percent), which could be paid ratably over eight years at the taxpayer's election. (Trump's plan does not specify any such election.)

The Detroit speech did not address the broader issue of how to tax foreign-source income of US multinationals. The proposal Trump outlined in 2015 called for retaining the worldwide tax regime and the foreign tax credit while eliminating deferral of US tax on active foreign-source income – a distinct contrast to tax reform plans emerging from Capitol Hill in recent years, including the House GOP blueprint, which calls for adopting a border-adjustable territorial tax system with a 100 percent participation exemption for foreign dividends; the Camp proposal, which called for moving toward a territorial system with a 95 percent participation exemption; and the recommendations of the 2015 bipartisan Senate Finance Committee working group on tax reform, co-chaired by Sens. Rob Portman, R-Ohio, and Charles Schumer, D-N.Y., which called for a territorial system and a participation exemption at an unspecified percentage.

As he has in the past, Trump argued that his proposed reduction in the corporate tax rate would curtail corporate inversions, but he made no comment on whether his revised plan would include specific proposals to strengthen current-law rules to prevent inversions or guard against base erosion. (His original plan, unlike the GOP blueprint and the Camp proposal, did not include specific anti-base erosion proposals.)

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Affordable Care Act taxes: Trump has called for repealing the Patient Protection and Affordable Care Act (PPACA), and, presumably, the individual and business taxes enacted under that legislation. Among the business taxes expected to be eliminated are the 2.3 percent excise tax on covered medical devices, which was suspended for 2016 and 2017 and is now scheduled to take effect in 2018, and the so-called "Cadillac" tax on high-cost employer-provided health plans, which currently is set to take effect in 2020. Individual taxes enacted under the PPACA that are likely to be on the chopping block include the 3.8 percent tax on net investment income and the 0.9 percent Medicare Hospital Insurance tax on wage income, both of which are currently imposed on individuals with adjusted gross income (AGI) over $200,000 and joint filers with AGI over $250,000.

Individual taxes: In a notable shift from his original proposal, Trump told the audience in Detroit that his new plan will call for compressing the individual income tax rate brackets from seven under current law (with a top rate of 39.6 percent) to three – 12 percent, 25 percent, and 33 percent, as proposed in the House GOP blueprint. (His original plan also provided for three brackets, but with rates set at 10 percent, 20 percent, and 25 percent.) As noted above, the current-law 0.9 percent Medicare Hospital Insurance tax on certain upper-income individuals presumably would be repealed.

In an apparent signal that he intends to retain his call for a greatly expanded standard deduction, Trump remarked that "for many Americans, their tax rate will be zero." (His original plan proposed to increase the standard deduction to $25,000 for individuals and $50,000 for joint filers; however, he did not indicate whether his revised plan will retain those exact parameters.)

Although the issue was not addressed in his speech, Trump's advisors have indicated that he will continue his call to phase out most itemized deductions in exchange for the proposed reduction in tax rates and expansion of the standard deduction. (The original plan proposed – without elaboration – to keep the deductions for mortgage interest and charitable giving intact but otherwise would limit the value of itemized deductions based on a taxpayer's income.)

Trump's Detroit address did, however, include a call for the creation of a new incentive that would allow taxpayers to "fully deduct the average cost of childcare spending." His advisors have also said he is exploring the idea of a tax benefit of some sort for stay-at-home parents and others who may not benefit from a deduction.

Capital gain and dividend income tax: Trump did not discuss the tax treatment of long-term capital gain income in his Detroit speech. (His original plan called for long-term capital gains to be taxed at a top rate of 20 percent as under current law; the House GOP blueprint calls for taxing those capital gains – as well as dividends and interest – as ordinary income, but subject to a 50 percent exclusion, which would result in a maximum effective tax rate of 16.5 percent.) As already noted, a Trump administration presumably would support repealing the 3.8 percent net investment income tax on certain upper-income individuals.

Carried interest income: Trump renewed his call to tax income from carried interests as ordinary rather than capital gain. Because he would tax passthrough business income at just 15 percent, however, some commentators have suggested that recipients of carried interests might attempt to restructure these arrangements to classify the income as business income, resulting in a lower total tax rate than the 23.8 percent long-term capital gains rate they pay on carried interest today. Trump and his advisors have stated that they are examining this issue and intend to propose anti-abuse rules, but they offered no specifics on what form those rules might take.

Estate tax: Trump's original plan called for repealing all estate, gift, and generation-skipping transfer taxes – a proposal the candidate reiterated in his Detroit speech.

Estimated revenue impact: Trump's revised tax plan is not yet detailed enough to allow for a reliable estimate of its impact on the federal budget. The nonpartisan Tax Policy Center estimated that his 2015 proposals would reduce federal receipts by a net total of $9.5 trillion between 2016 and 2026, with more than one-third of the total benefit accruing to households in the top 1 percent of income earners.
URL: http://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/2000560-an-analysis-of-donald-trumps-tax-plan.pdf

It is worth noting that the estimated $9.5 trillion revenue reduction under Trump's 2015 plan would represent a significant portion of the $41.7 trillion in *total* federal receipts that the nonpartisan Congressional Budget Office (CBO) recently projected for 2016-2026. (CBO's projections assume that current law remains in effect without changes.) Some of Trump's proposed revisions – particularly his call for setting the top marginal individual income tax rate at 33

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percent rather than 25 percent – should slim down the 10-year score of his new plan somewhat and reduce the share of the tax cuts benefiting the highest-income households; but unless the new plan includes surprising features designed to further address cost issues, it is still likely to be estimated as substantially increasing the deficit.
URL: https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51908-2016_Outlook_Update-2.pdf

Clinton: Revenue growth to address deficit reduction, income inequality

If Trump appears to be following the Republican playbook on tax reform, Clinton, based on the tax policy positions posted on her campaign's Web site and her statements at an economic address she delivered in Warren, Mich., on August 11, appears in large part to be following the model of President Obama – especially in his calls for using the tax code to reduce income inequality, generate additional revenue to pay for new spending on priorities such as infrastructure and higher education, and whittle down the deficit. Somewhat less clear, however, is her stance on the elements of a tax code overhaul included in the business tax reform "framework" the president released in 2012 and updated earlier this year. (Among other things, the president's framework called for reducing the corporate tax rate to 28 percent and reforming current incentives for domestic manufacturing in a way that would reduce the effective tax rate for US manufacturers to 25 percent.)

Business taxes: Clinton to date has not proposed changes to the current top income tax rate for corporations. Some within the tax policy community have suggested that her silence on this issue may in part be the product of an increasingly populist campaign and that she, like President Obama, could be open to corporate rate reductions as part of broader negotiations on fiscal policy that achieve other of her policy goals. But additional interpretations are also possible: for example, her silence could suggest that she views the current corporate tax rate as acceptable and that she may not share the view of President Obama and others that businesses will be more competitive with a lower tax rate; or it could indicate that she believes a rate cut cannot be achieved without compromising other policy priorities (which could include concerns about the economic impact of the base broadening that would be necessary to offset the cost of a rate reduction). Regardless, absent further policy proposals, Clinton's plan would leave the top corporate rate at 35 percent.

Similarly, Clinton has offered no direct proposal related to the tax treatment of business passthrough income, so presumably passthrough owners will continue to be taxed on the individual side of the code as they are under current law. And based on her proposals regarding individual income taxes (discussed in more detail below) wealthy passthrough owners could face a tax increase under the Clinton plan.

Clinton places herself unambiguously in the Obama mold with her proposals for targeted tax increases on specific industry sectors, such as:

- Imposing an annual "risk fee" on certain large financial institutions;
- Requiring certain derivative contracts to be marked to market;
- Imposing a "high-frequency trading tax" on strategies involving excessive order cancellations;
- Addressing offshore hedge fund reinsurance arrangements; and
- Repealing various current-law preferences for the fossil fuel industry.

Also like President Obama, Clinton has indicated she would funnel savings realized from various business tax reforms into increased spending on infrastructure.

Additionally, although Clinton has not discussed the issue directly, her campaign aides have indicated she would be willing to consider implementing a carbon tax if Congress were to pursue the idea. But congressional action on carbon tax legislation is considered highly unlikely unless Democrats also have supermajorities in both chambers of Congress after the election to prevent Republicans, who have generally opposed carbon taxes, from blocking such a proposal. (President Obama did not pursue a carbon tax during his administration, although a number of such proposals have been put forward by congressional Democrats over the years.)

Among business tax incentives, Clinton's plan would expand and permanently extend the New Markets Tax Credit, and create new credits for businesses that hire employees from an apprenticeship program and those that share profits with employees.

Clinton also has proposed a number of incentives specifically targeting small businesses, introducing a plan in mid-August intended to "make life easier" for these taxpayers. While some of the proposals still lack details, the provisions

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include creating a standard deduction for small businesses; immediate expensing of up to $1 million in new small business investment; a 100 percent tax exclusion on capital gains for long-term investments made by small businesses; allowing cash accounting for businesses with gross receipts of less than $25 million and "checkbook accounting" for those under $1 million; and a simplified and expanded health care tax credit for businesses with up to 50 employees.

International tax rules: Clinton thus far has not proposed changes to the current-law worldwide tax regime and deferral rules for taxing the foreign-source income of US multinationals or to the current-law repatriation rules which tax foreign-source income at the full corporate rate with an allowance for foreign tax credits. (President Obama's most recent budget includes a general call for international tax reform with a one-time 14 percent tax on unrepatriated offshore earnings and a 19 percent minimum tax on foreign-source income going forward.)

This is not to say Clinton would leave international tax rules unchanged, however. Like President Obama and many congressional Democrats, Clinton has called for legislation aimed at curbing corporate inversions and limiting certain subsequent tax benefits that can be gained from such transactions. Specifically, the Clinton plan would:

- Treat an inverted company as a domestic firm for US tax purposes unless the new foreign parent company is at least 50 percent owned by legacy foreign shareholders. This provision would be effective retroactively to May of 2014. Clinton's proposal mirrors a provision in legislation introduced by House Ways and Means Committee ranking Democrat Sander Levin of Michigan and then-Sen. Carl Levin, also of Michigan, in May of 2014. President Obama has included similar proposals in budget blueprints he has sent to Congress.
- Impose an "exit tax" on the unrepatriated foreign-source income of inverting companies (i.e., those that clear the new 50 percent foreign ownership threshold) and US companies acquired in foreign takeovers. (Clinton's plan provides no additional details on how the tax would operate, although her campaign literature likens it to the exit tax imposed on individuals who expatriate from the US.) Senate Finance Committee member Sherrod Brown, D-Ohio, introduced exit tax legislation earlier this year. Brown's bill, however, would apply only to inverting companies (using a 50 percent foreign ownership test).
- Limit the ability of multinationals to engage in so-called "earnings stripping" transactions.
- "Claw back" domestic tax benefits from US companies that outsource jobs.

Clinton also has indicated that if Congress does not act on these proposals, she would "ask the Treasury Department to use its full legal authority to crack down on inversions and related transactions, including by restricting earnings stripping" – an indication that she likely would not seek to roll back or significantly weaken any Obama-era regulations in these areas.

According to her campaign documents, Clinton would use the revenue generated by these reforms to provide tax incentives to "reward innovation and research" by companies that locate jobs in the US, create a "Manufacturing Renaissance Tax Credit" to encourage investment and job creation in economically challenged communities, and "reward" companies that bring jobs back to the US. Additional details around these proposals are not currently available.

Affordable Care Act taxes: The Clinton plan generally would retain the PPACA and the taxes enacted as part of that legislation. The current-law 3.8 net investment income tax and the 0.9 percent Medicare Hospital Insurance tax on upper-income individuals are expected to remain in effect. Most PPACA business taxes, such as the medical device excise tax, also are expected to continue under a Clinton administration. Significantly, however, Clinton has recently expressed support for repealing the PPACA's "Cadillac" tax on certain high-cost health plans.

Individual taxes: Clinton has proposed a series of tax increases on certain upper-income individuals to, among other goals, offset the cost of her plan to provide free tuition at community colleges and four-year public colleges and universities for individuals from families with annual income of $85,000 or less (increasing to $125,000 or less by 2021). Her plan would retain the seven existing income tax brackets (ranging from 10 percent to 39.6 percent) and essentially create a new eighth bracket of 43.6 percent by imposing a 4 percent "fair share" tax on income over $5 million. As already noted, the current-law 0.9 percent Medicare Hospital Insurance tax on certain upper-income individuals enacted under the PPACA would be retained.

Other Clinton proposals affecting higher-income individuals – many of which echo those in various Obama administration budget packages – call for:

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- Implementing a Buffett Rule to ensure that individuals earning $1 million or more pay a minimum tax rate of 30 percent.
- Limiting the tax value of most itemized deductions to 28 percent, with an exception for the deduction for charitable contributions. (Some commentators have suggested that the 28 percent cap also could apply to some current-law tax exclusions; however, Clinton's publicly available campaign documents do not include enough detail to provide certainty on this issue.)
- Limiting contributions to certain tax-preferred retirement accounts with high balances.

On the incentive side, Clinton proposes – without substantial elaboration – to assist families taking care of elderly relatives by creating a new tax credit of up to $1,200 for caregivers and to assist insured individuals facing high out-of-pocket costs for prescription drugs by creating a new refundable credit of up to $2,500 ($5,000 for families). She also has called for expanding the child tax credit for working families as part of a larger plan to limit the cost of child care to 10 percent of family income.

Capital gains: Under Clinton's plan, individuals falling into the current 39.6 percent bracket and her proposed new 43.6 percent bracket for ordinary income would see their capital gain income taxed on a sliding scale – at *statutory* rates ranging from 20 percent to 39.6 percent – based on the asset's holding period. The 20 percent rate, which matches the top rate on long-term capital gains under current law, would apply only to assets held longer than six years; the 39.6 rate would be imposed on assets held for two years or less. It should be noted, however, that capital gain income *also* would be subject to the current-law 3.8 percent net investment income tax for individuals with AGI over $200,000 and joint filers with AGI over $250,000. As a result, the maximum *effective* tax rates on capital gain income under the Clinton plan would range from 23.8 percent to 43.4 percent.

Clinton's campaign literature does not specifically address the interaction of the Buffett Rule and the "fair share" tax with the proposed changes to the taxation of capital gains. Taxpayers with income over $1 million potentially could see even long-term assets subject to a minimum tax rate of 30 percent under Clinton's proposed Buffett Rule (depending on their specific situation and the provisions of the rule as it eventually is drafted); moreover, individuals with income over $5 million could find their capital gains subject to Clinton's 4 percent "fair share" tax.

Clinton's proposed changes to capital gain rates and holding periods do not appear to apply to dividends. If that is indeed the case, dividend income would be subject to a top tax rate of 23.8 percent (which includes the 20 percent current-law statutory rate plus the 3.8 percent net investment income tax, but not any Buffett Rule or "fair share" taxes that also may apply). This bifurcation of capital gain and dividend rates may be viewed as introducing a distortion into corporate decision-making that the enactment of the Jobs and Growth Tax Relief Reconciliation Act of 2003 was intended to resolve. (Prior to 2003, dividends were taxed as ordinary income while capital gains were taxed at a preferential rate. Clinton's plan would appear, for at least some taxpayers, to implement the pre-2003 regime *in reverse* by taxing the capital gain income of wealthy individuals at higher rates than they would face on dividend income.)

Carried interest: Like Trump, Clinton would tax carried interest income as ordinary rather than capital gain, but the impact of that change would be more severe under her plan (which calls for a top individual rate of 43.6 percent) than under the Trump plan (which calls for a top individual rate of 33 percent and which, as discussed above, has been criticized for potentially allowing taxpayers to recharacterize their carried interests as passthrough income to avoid the higher rates).

Estate tax: Clinton would return the estate and gift tax law to its 2009 parameters by increasing the top estate tax rate to 45 percent (from 40 percent under current law) and reducing the exemption amount to $3.5 million (from $5.45 million) as well as establishing a $1 million lifetime gift tax exemption.

Estimated revenue impact: According to the Tax Policy Center, Clinton's proposals, if enacted into law, would increase federal receipts by an estimated gross total of $1.1 trillion between 2016 and 2026, with more than three-quarters of the new tax burden falling on households in the top 1 percent of income earners. With much of that revenue earmarked to pay for new spending proposals, such as those to increase college affordability, the impact on the federal deficit is likely to be far smaller.
URL: http://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/2000638-an-analysis-of-hillary-clintons-tax-proposals.pdf

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Control of Congress a key factor in future tax reform efforts

As the general election campaign continues, the media's focus when it comes to the tax policy debate will be directed primarily at the presidential candidates. Trump and Clinton have very different visions of the tax code, at least as articulated to this point in the campaign, and each would be expected to enter the Oval Office with a goal of advancing their promised economic agenda.

But it is important to remember that getting tax code changes enacted into law in the next administration – whether at the margins or as a comprehensive reform package – will require congressional leaders and the new president to be willing to engage and seek to reach consensus in ways that have eluded would-be tax reformers over the last several years. The individuals in power in 2017 will approach the tax reform debate with different priorities of their own and will further be influenced by who is sitting at the bargaining table with them and their expectations at the outset regarding what an acceptable deal could be and whether one is achievable.

Here's a look at some of the goals of key players in Congress and how they might attempt to influence the debate going forward.

Senate: Republicans currently enjoy a 54-46 majority in the Senate, but they are defending some seats in states that traditionally lean Democratic. Nonpartisan analysts view the contest for control of the chamber as very close, and the balance of power could come down to who wins the White House, since, if the Senate is evenly divided, the tie-breaking vote is cast by the vice president, who also serves as president of the Senate.

If Republicans keep control – Senate Republicans have been interested in tax reform, and last year Finance Committee Chairman Orrin Hatch, R-Utah, convened bipartisan working groups tasked with reviewing and making recommendations for overhauling discrete areas of the tax code.
URL: http://newsletters.usdbriefs.com/2015/Tax/TNV/150710_1.html

More recently, Hatch has been pursuing a corporate integration plan which, when unveiled, is expected to give corporations a deduction for dividends paid but require full income inclusion of those dividends for all recipients, including those who are currently tax-exempt. Hatch maintains that this approach would lower the effective tax rate paid by corporations without the legislative hurdles – and cost – associated with lowering the statutory rate. At this point, however, it is unclear if there is enough support for such a plan among Hatch's colleagues to make it the Senate's starting point going into negotiations with the House and the president.
URL: http://newsletters.usdbriefs.com/2016/Tax/TNV/160122_1.html

The majority party in the Senate generally cannot exert its will without the cooperation of at least some in the minority – something that would be especially important under this scenario, as a GOP majority is likely to be well short of the 60 votes that would be needed to overcome filibuster threats from Democrats to block tax and other legislation they are united in opposing. For that reason, the fact that New York Sen. Charles Schumer would likely be the Democratic leader is generally viewed as a positive for tax reform. Schumer, who also sits on the Finance Committee, has been a tax reform advocate and served last year as a leader of the committee's international tax reform working group along with Republican taxwriter Rob Portman of Ohio.
URL:
http://www.finance.senate.gov/imo/media/doc/The%20International%20Tax%20Bipartisan%20Tax%20Working%20Group%20Report.pdf

If Democrats recapture control – In a Democratic Senate, the Finance Committee gavel would be expected to return to Ron Wyden of Oregon, who recently released discussion drafts of legislation addressing cost recovery changes and financial product reform, both of which have been regarded as part of a concerted effort to lay out the direction he intends to take on tax reform should Democrats take over the Senate in the upcoming 115th Congress. Wyden also introduced comprehensive tax reform legislation in 2010 with then-Sen. Judd Gregg, R-N.H., and again in 2011 with retiring Sen. Dan Coats, R-Ind.
URL: http://newsletters.usdbriefs.com/2016/Tax/TNV/160429_2.html
URL: http://newsletters.usdbriefs.com/2016/Tax/TNV/160520_2.html

As already noted, a Democratic majority would likely be led by Charles Schumer of New York, someone seen as more supportive of tax reform than the current Democratic leader, retiring Sen. Harry Reid of Nevada.

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Despite their willingness to pursue tax reform, Wyden and Schumer could nonetheless face obstacles moving legislation through the chamber. There are key members of the Democratic caucus in the Senate who may be less inclined to pass tax reform that addresses the concerns of multinational corporations, especially if it doesn't achieve other policy goals such as giving tax relief to middle-class families, reducing the deficit, or providing additional funds for infrastructure spending. Moreover, even if Democrats recapture the Senate, their majority is likely to be well short of the 60 votes that would be needed to overcome a Republican filibuster, meaning proposed tax changes are unlikely to survive if they do not have at least some bipartisan support.

House: A change in party control of the House of Representatives likely would have a more profound impact on the tax agenda than would a shift in control of the Senate. Republicans are currently expected to lose some seats but still retain their majority, although with another nine weeks until election day in what has been perhaps the most unpredictable campaign in history, absolute declarations as to what will happen in November are highly premature.

If Republicans keep the House – A tax code overhaul would be at or near the top of the agenda for House Republicans, who released their blueprint for reform in late June. Speaker Paul Ryan – a former Ways and Means Committee chairman and a long-time advocate of tax reform – would be expected to use his position to help taxwriters, including current Ways and Means Chairman Kevin Brady, turn the blueprint into law.
URL: http://newsletters.usdbriefs.com/2016/Tax/TNV/160624_1.html

That is not to say it would all be smooth sailing. Tax reform involves difficult choices, and House Republicans have not always been on the same page on policy and political issues. Developing a bill that can win the support of 218 House Republicans and *also* pass a closely divided Senate could be a real challenge, and the reality of the politics may force Brady and his team to compromise on certain issues in ways that attract some Democratic votes but risk alienating some of his own members.

The task of generating support from their Democratic colleagues for tax reform may be especially difficult for Republican leaders (1) if Donald Trump is in the White House or (2) if Hillary Clinton has won the presidency but is not supportive of the House GOP plan. That is because House Democrats have been decidedly cooler to the idea of tax reform than their counterparts in the Senate and may be more inclined to be the "loyal opposition" rather than active participants helping push the issue of tax reform.

If Democrats recapture the House – This would likely be the single least favorable electoral outcome for those hoping to see tax reform enacted in 2017. House Democrats generally have been less receptive to the idea of rate-lowering, base-broadening tax reform and instead continue to pursue tax policy changes that reward "good" actors (renewable and alternative energy and energy conservation, economic development incentives, etc.) and punish "bad" actors, or changes that address income inequality.

House Democrats could of course enthusiastically take up the issue in 2017, especially if a President Clinton made tax reform a priority, but it seems like more of a long shot than some of the other possible 2017 political alignments.

Actual mileage may vary: There are many more variables than can be assessed here. And while politics is a battle of ideas, it is waged in the arena by men and women, and it is impossible to know today whether the relationships between those assuming power (or keeping it) in 2017 will be conducive to working toward a big policy achievement like tax reform or more suited to continued gridlock.

More details as they become available

Tax News & Views will continue to report on any emerging tax issues as the presidential campaign continues, and on the implications for tax policy once the election results are known.

— Alex Brosseau, Michael DeHoff, Jeff Kummer, Jacob Puhl, Storme Sixeas, and Jon Traub
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