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As Brady teases details of Tax Cuts Round 2, Pelosi envisions a rollback of Round 1

House Ways and Means Committee Chairman Kevin Brady, R-Texas, this week hinted at the provisions he would like to include in a so-called Tax Cuts 2.0 bill that would build on the massive tax legislation that was signed into law late last year. But across the aisle, Minority Leader Nancy Pelosi, D-Calif., said that if Democrats take control of the House following November's mid-term elections, she would like to see the 2017 law rolled back and revamped to focus on the middle class.

Tax Cuts 2.0

Brady has made clear in recent weeks that a second round of tax cuts would include provisions that would permanently extend the temporary tax relief for individuals enacted in last year's legislation (P.L. 115-97) which generally is scheduled to sunset after 2025. But in comments to reporters on May 7, Brady expanded his wish list to include additional "family friendly" provisions such as streamlining existing tax incentives for education expenses and retirement savings. He did not elaborate on exactly what those proposals would entail, however.

Gary Cohn, the former director of the National Economic Council who helped spearhead last year's bill, also weighed in this week, supporting Brady's 2018 goal of permanent individual provisions and endorsing his vision of reviewing and updating the tax code every year rather than once every generation.

In a CNBC interview on May 8, Cohn said, "You know, the world is always changing. Tax law is changing. We in the United States should not stay stagnant. [Brady] thinks we should have a tax bill every year. He thinks that this year's tax bill should be to make the personal side permanent, and every year we should get used to making the changes we need to make our taxes the more competitive of the world."

Timing of a second tax bill remains unclear. Brady has indicated that he would like the House to vote before the midterm elections but said this week that Ways and Means Republicans will likely not be ready to introduce a legislative proposal before Memorial Day.

Although such a bill could win approval in the House on the strength of Republican votes alone, it likely would fall short of the three-fifths supermajority support it would need to clear procedural hurdles in the Senate. (Democrats, who control 49 Senate seats, likely would vote in lockstep against the measure, and even a few Republicans in that chamber have expressed misgivings about supporting another large, unpaid-for tax bill that would further expand the deficit.)

Pelosi: 'Rebalance' for the middle class

Last year's tax bill passed without a single Democratic vote in either chamber, and the minority party has made it clear that they would have approached tax reform quite differently. While many Democrats supported reducing the corporate rate from 35 percent in order to make US companies more competitive internationally, some believe Republicans went too far, and Senate Democrats released a proposal March 7 that called for raising the new rate from 21 percent to 25 percent. That same plan also endorsed raising the top individual rate and returning the individual alternative minimum tax and the estate and gift taxes to their 2017 levels. (For prior coverage, see *Tax News & Views*, Vol. 19, No. 9, Mar. 9, 2018.)

[URL: http://newsletters.usdbriefs.com/2018/Tax/TNV/180309_2_suppB.pdf](http://newsletters.usdbriefs.com/2018/Tax/TNV/180309_2_suppB.pdf)

[URL: http://newsletters.usdbriefs.com/2018/Tax/TNV/180309_1.html](http://newsletters.usdbriefs.com/2018/Tax/TNV/180309_1.html)

Appearing at a May 8 *Politico* event, Pelosi was asked to respond to the Republican election-year talking point that a Democratic majority in the House with Pelosi as speaker would pass single-payer health care and "raise taxes" by moving to "roll back the tax cuts that [the GOP] passed this year." Pelosi's responded: "The second part there is accurate."

After Republicans seized on those comments, Pelosi tried to clarify her meaning at a May 9 press conference, saying that Democrats support strengthening the middle-class tax cuts and making them permanent and that, as speaker, she would want to work in a bipartisan manner to overhaul the new law in a way that does not necessarily mean tax increases.

"[I]t means that we would rebalance it so that we put middle-class families first. It does not include higher taxes, no matter what the Republicans try to tell you," she said.

Hearings in the works

The partisan divide over last year's legislation is likely to be on full display during an upcoming series of hearings by the full Ways and Means Committee and its Tax Policy Subcommittee aimed at assessing the economic impact of the new law. (For a reminder of how a similarly-themed hearing played out in the Senate Finance Committee last month, see *Tax News & Views*, Vol. 19, No. 14, Apr. 27, 2018.)

[URL: http://newsletters.usdbriefs.com/2018/Tax/TNV/180427_1.html](http://newsletters.usdbriefs.com/2018/Tax/TNV/180427_1.html)

According to an announcement from Brady and Tax Policy Subcommittee Chairman Vern Buchanan, R-Fla., the first hearing – focusing on how the law is growing the economy and creating jobs – is scheduled for May 16 at 10:00 a.m.

A witness list for the May 16 hearing and details on future hearings were not available at press time.

GOP leaders to fill Ways and Means vacancy

In other Ways and Means news, the House Republican Steering Committee is set to meet the week of May 14 to decide which GOP lawmaker it will recommend to fill the vacancy on the taxwriting panel that was created when Rep. Pat Meehan, R-Pa., resigned from Congress late last month.

Meehan, who joined the Ways and Means panel in 2015, had previously announced he would not run for re-election this year after it was revealed that he had used taxpayer funds to provide a \$39,000 severance payment to a former staff member who had accused him of sexual harassment.

Six other Republicans on the committee have said they are leaving the House at the end of this session – either to run for a different office or to leave government entirely – but the party balance after November's election will dictate how many of those slots the GOP gets to fill when the 116th Congress convenes in January of next year.

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No clear timetable for Senate action on IRS reform, Rettig confirmation

As Senate leaders contemplate their agenda for the remainder of the pre-Memorial Day work period, plans for addressing two of the larger tax-related items on their punch list – passing legislation to restructure and reform the Internal Revenue Service and confirming the next IRS commissioner – remain unclear.

IRS reform

The House last month approved and sent to the Senate a bipartisan package of bills aimed at reorganizing Internal Revenue Service operations, making its enforcement and customer service policies more taxpayer-friendly, and modernizing its information technology systems. (For details on the House package, see *Tax News & Views*, Vol. 19, No. 13, Apr. 20, 2018.) But Senate Republican leaders so far have provided few specifics on when they will take up the legislation and whether they intend to make significant changes.

[URL: http://newsletters.usdbriefs.com/2018/Tax/TNV/180420_3.html](http://newsletters.usdbriefs.com/2018/Tax/TNV/180420_3.html)

Shortly after the House passed its bill, Finance Committee Chairman Orrin Hatch, R-Utah, said only that his panel was “going to have to look at everything and be very, very careful how we handle it.” Finance Committee member Rob Portman, R-Ohio, offered some – but not much – additional detail this week, telling reporters on May 8 that Senate taxwriters would use the House-passed bill as “a base, and try to expand it in certain ways – focus a little more on the structure of the IRS, and some of the IT challenges.”

Portman did indicate that he would not support a provision in the House legislation that would repeal the IRS Oversight Board, a nine-member body created under the IRS Reform and Restructuring Act of 1998 that is tasked with monitoring the Service's implementation of federal tax law. House lawmakers argued that the oversight board has been ineffective largely due to its inability to reach a quorum. But Portman, who was one of the lead sponsors of the 1998 restructuring legislation when he served in the House, attributed the board's perceived failures to a lack of presidential support across several administrations.

“It hasn't worked well because administration after administration has not enabled it to work well, including having it have its full complement. It doesn't have it right now,” he told reporters.

Portman indicated he remains hopeful that Congress can approve a bipartisan bill and get it to the White House later this year.

Rettig confirmation

In other recent developments, Charles “Chuck” Rettig has begun meeting with Republican and Democratic members of the Senate Finance Committee as part of the process toward his confirmation as IRS commissioner. (President Trump nominated Rettig to the position on February 13, but Finance Committee action was delayed because the panel did not receive Rettig's official paperwork until late April.)

Rettig, a California-based tax lawyer with Hochman, Salkin, Rettig, Toscher & Perez, met separately on April 26 with Finance Committee Chairman Hatch and taxwriters Tim Scott, R-S.C., and Ben Cardin, D-Md., and received positive reviews. Hatch said in a news release that Rettig “fit the bill” and Cardin praised Rettig's knowledge of federal tax law.

Cardin also stressed that the IRS is in need of resources, so holding up the nomination would be damaging to the entire agency.

For his part, Finance Committee member Bill Cassidy, R-La., recently downplayed a reporter's questions about Rettig's lack of experience in running a large agency, commenting that "Abraham Lincoln did not have managerial experience before becoming president, and he did a pretty good job."

Republican taxwriter Charles Grassley, R-Iowa, has offered a measured assessment, saying he has seen no reason to vote against Rettig but will decide how he'll vote after a hearing.

Meanwhile, Rettig has garnered endorsements from two prominent professional associations. The American Institute of Certified Public Accountants and the California Society of Certified Public Accountants Tax Committee this month sent letters to Chairman Hatch and Finance Committee ranking member Ron Wyden, D-Ore., calling for his swift confirmation. Both groups touted Rettig's professional qualifications and the AICPA also emphasized that the immediate challenges the IRS faces in implementing last year's massive tax legislation require getting a permanent leader in place as quickly as possible.

As of press time, the Finance Committee had not announced a date for Rettig's confirmation hearing. Until a new commissioner is confirmed, David Kautter continues to operate in his dual capacity as IRS acting commissioner and Treasury deputy assistant secretary for tax policy.

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