



Tax

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Tax extenders bill becomes law

President Obama on December 19 signed legislation that retroactively extends for one year the bulk of the temporary tax deductions, credits, and incentives that expired at the end of 2013. The Tax Increase Prevention Act of 2014 was approved on a bipartisan basis in the House of Representatives on December 3 and the Senate on December 16. Its passage and enactment mark the last significant action in the tax policy arena in the 113th Congress, which has now officially adjourned. (The 114th Congress convenes on January 6.)

Short-lived tax relief

The tax relief in the extenders package is short-lived: the retroactive renewal of more than 50 temporary provisions such as the research credit, bonus depreciation, and increased section 179 expensing limits sunsets at year end. For taxpayers who rely on these provisions for planning purposes, this means a return to uncertainty in just two weeks. For lawmakers, it means the debate over the future of these provisions begins anew in the 114th Congress.

Other provisions

In addition to addressing extenders, the new law also includes permanent provisions that authorize the creation of tax-preferred savings accounts for use by certain individuals with disabilities and their caregivers to pay for certain qualified disability expenses.

(For details on the provisions in the Tax Increase Prevention Act and its budgetary impact, see *Tax News & Views*, Vol. 15, No. 40, Dec. 16, 2014.)

URL: http://newsletters.usdbriefs.com/2014/Tax/TNV/141216_1.html

Filing season delay unlikely

IRS Commissioner John Koskinen stated at a December 18 press conference that even though extenders legislation passed late in the year, it is unlikely to delay the 2014 tax filing season.

Spending bill enacted

In other developments, the president on December 16 signed a \$1.1 trillion spending package that generally funds government operations through October 1, 2015.

Among other provisions, the Consolidated and Further Continuing Appropriations Act, 2015, cuts funding to the Internal Revenue Service, temporarily extends the moratorium on Internet access taxes, and places narrow limits on the government's authority to award federal contracts to certain former U.S.-incorporated businesses that relocate offshore in inversion transactions. (For additional details, see *Tax News & Views*, Vol. 15, No. 39, Dec. 12, 2014.)

[URL: http://newsletters.usdbriefs.com/2014/Tax/TNV/141212_2.html](http://newsletters.usdbriefs.com/2014/Tax/TNV/141212_2.html)

The measure was approved in the House on December 11 and the Senate on December 13. To address the fact that government funding was scheduled to expire at midnight on December 11 – before both chambers of Congress could approve the appropriations package and send it to the president – the House and Senate also approved stop-gap measures to keep the government running through December 16.)

— Michael DeHoff
Tax Policy Group
Deloitte Tax LLP

Hatch lays out principles for tax reform; Treasury official hints at possible White House plan

Just days after releasing a report on tax reform, Senate Finance Committee ranking member Orrin Hatch, R-Utah, this week offered seven principles that he thinks should guide the process; meanwhile, a Treasury official said the Obama administration may release a detailed business tax reform plan if doing so would help reform efforts on the Hill.

Hatch speech

Speaking on the Senate floor December 16, Hatch, who is expected to take over as Finance Committee Chairman when the 114th Congress convenes next month, stated that comprehensive tax reform “is no longer optional,” but essential. Hatch laid out the seven principles he thinks should guide the effort. The first three principles – economic growth, fairness, and simplicity – were the most important and were what guided President Reagan’s tax reform push in the 1980s, Hatch said. He identified three additional principles – permanence, competitiveness, and promoting savings and investment – and cited ways in which the current system fails to achieve these goals. Addressing the seventh principle –

revenue neutrality – Hatch said that “tax reform should not be used as an excuse to raise tax on the American people or on U.S. businesses.”

Hatch’s comments follow his release on December 11 of a report prepared by the Finance Committee Republican staff that analyzes policy issues that Hatch said taxwriters must confront in undertaking tax reform. (For prior coverage, see *Tax News & Views*, Vol. 15, No. 39, Dec. 12, 2014.)

URL: <http://www.finance.senate.gov/newsroom/ranking/download/?id=41af09bb-e75d-4246-9313-98eb5b9de7bc>
URL: http://newsletters.usdbriefs.com/2014/Tax/TNV/141212_3.html

In his floor remarks, Hatch called the report “a first major step in a tax reform effort that I hope will get underway early next year.” He added that in the coming weeks and months, he will unveil additional steps and urged his Senate colleagues to join him to make tax reform a bipartisan process.

White House: Maybe we will

At the other end of Pennsylvania Avenue, the administration hinted that it might join that effort. Treasury Assistant Secretary for Tax Policy Mark Mazur said during a December 16 webcast that the administration may release a detailed business tax reform plan if doing so would help advance the tax reform effort.

“If it turns out that having a detailed plan is the best path forward, then that’s what we’ll do. If it turns out that having principles and building out from that is the best way forward, that’s what we’ll do,” Mazur said.

Republicans on the Hill have criticized the Obama administration for not taking an active role in tax reform efforts. The White House released a white paper on business tax reform in February 2012, but that was only a “framework” and light on details. (For prior coverage, see *Tax News & Views*, Vol. 13, No. 8, Feb. 22, 2012.) The administration made similar calls for business tax reform in its last two budget blueprints and offered some specific proposals – including a proposal to use certain one-time revenue generated from corporate tax reform to pay for infrastructure projects. (For prior coverage, see *Tax News & Views*, Vol. 15, No. 12, Mar. 7, 2014, and *Tax News & Views*, Vol. 14, No. 15, Apr. 11, 2013.)

URL: <http://www.treasury.gov/resource-center/tax-policy/Documents/The-Presidents-Framework-for-Business-Tax-Reform-02-22-2012.pdf>

URL: http://newsletters.usdbriefs.com/2012/Tax/TNV/120222_1.html

URL: http://newsletters.usdbriefs.com/2014/Tax/TNV/140307_1.html

URL: http://newsletters.usdbriefs.com/2013/Tax/TNV/130411_1.html

In the webcast, Mazur said the lack of detail from the administration was intentional: “We thought if we had a 400-page detailed plan with every ‘i’ dotted and ‘t’ crossed that there wouldn’t be a lot of opportunity to engage in conversation with congressional members and outside stakeholders in order to try to find if there was a consensus to move ahead on tax reform.”

Earlier this month, President Obama told an audience at a Business Roundtable event that many of the principles laid out in his corporate tax framework align with those in the tax reform discussion draft put forward by then-Ways and Means Committee Chairman Dave Camp, R-

Mich., last February and that “there is definitely a deal to be done” between the White House and congressional Republicans to overhaul the corporate tax rules in 2015. (For prior coverage, see *Tax News & Views*, Vol. 15, No. 38, Dec. 5, 2014.)

[URL: http://newsletters.usdbriefs.com/2014/Tax/TNV/141205_2.html](http://newsletters.usdbriefs.com/2014/Tax/TNV/141205_2.html)

The president made similar comments at his year-end press conference on December 19 and stated that the administration and GOP leadership will engage in “some conversations at the staff level” on tax reform in the coming weeks. He also stated that he would “make sure that we put forward some pretty specific proposals building on what we’ve already put forward.”

— Jon Almeras
Tax Policy Group
Deloitte Tax LLP

Finance Committee membership rosters for 114th Congress complete

Senate Finance Committee ranking member Orrin Hatch, R-Utah, announced December 15 that Republican Sens. Dan Coats of Indiana, Dean Heller of Nevada, and Tim Scott of South Carolina will join the taxwriting panel when the 114th Congress convenes next month. The addition of the new members means Republicans will control 14 seats on the committee to reflect their new majority in the Senate. (As the minority party in the just-concluded 113th Congress, the GOP held 11 Finance Committee seats.)

[URL: http://www.finance.senate.gov/newsroom/ranking/release/?id=e65d51fb-d852-460b-b079-8690898cb5c3](http://www.finance.senate.gov/newsroom/ranking/release/?id=e65d51fb-d852-460b-b079-8690898cb5c3)

Hatch is expected to become chairman of the panel in the new Congress, but his appointment does not become official until January.

For their part, Finance Committee Democrats, who held 13 seats on panel as the majority party in the 113th Congress, will control 12 seats next year. Sen. Mark Warner of Virginia, the lowest-ranking Democrat on the Finance Committee, will retain his seat on the committee in the new Congress; however, Democrats will not be able to replace departed taxwriter Jay Rockefeller, D-W.Va., who did not seek re-election in 2014. (Before the party ratios on the committee were made official, some had suggested that the GOP’s margin of victory in the Senate in the 2014 midterm elections would mean that Democrats might be required to give up a seat held by a more junior committee member in addition to losing the opportunity to replace Rockefeller.)

Ways & Means

Across the Capitol, House Republican leaders last month officially tapped Rep. Paul Ryan, R-Wis., to chair the Ways and Means Committee beginning in the 114th Congress and added four new GOP members to the panel. (For additional details, see *Tax News & Views*, Vol. 15, No. 35, Nov. 21, 2014.)

[URL: http://newsletters.usdbriefs.com/2014/Tax/TNV/141121_1.html](http://newsletters.usdbriefs.com/2014/Tax/TNV/141121_1.html)

All told, Republicans will control 24 seats on the committee – a gain of 1 from the 113th Congress. Three of the new members will fill vacancies created by the retirements of

Chairman Dave Camp, R-Mich., and Reps. Jim Gerlach, R-Pa., and Tim Griffin, R-Ark. The fourth will fill a new slot that was added to the Republican roster to reflect the House GOP's expanded majority in the 114th Congress.

The number of Ways and Means Committee seats to be held by Democrats has not been officially announced. According to published reports, however, Democrats will not be permitted to replace Rep. Allyson Schwartz of Pennsylvania, who did not seek re-election to Congress this year. (She chose instead to run for governor of Pennsylvania but was defeated.)

Reports also indicate that Budget Committee ranking Democrat Chris Van Hollen of Maryland will not seek to rejoin the taxwriting panel. Van Hollen took a leave of absence from Ways and Means to ensure that Rep. Schwartz was able to keep her seat on the panel when Republicans claimed the House majority after the 2010 elections. Assuming Democrats lose no additional seats on Ways and Means in the 114th Congress, Van Hollen's decision not to try to return to the committee clears the way for Rep. Linda Sanchez of California, who is lower in seniority than Van Hollen, to retain her seat on the panel.

— Michael DeHoff
Tax Policy Group
Deloitte Tax LLP

A note on our publication schedule

The 113th Congress has officially adjourned and the 114th Congress is scheduled to convene on January 6, 2015. Barring unexpected developments in tax policy before the start of 2015, this will be the last edition of *Tax News & Views* for this year.

— Jon Traub
Managing Principal, Tax Policy
Deloitte Tax LLP

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