

NAM Tax and Budget Policy Committee
Tuesday, August 8, 2017
2:00PM

Agenda

I. Introductions

Kevin McWilliams, International Paper
Dorothy Coleman, NAM

II. Tax Reform 2017: the House Perspective

Barbara Angus, Chief Tax Counsel, House Ways and Means Committee
Rick Limardo, Coalitions Director, House Ways and Means Committee

- *Current plan light on details to allow the committees to do the work, W&M, SFC and WH all working together*
- *Border adjustment has been set aside and will not be part of tax reform in 2017*
- *Priority on permanence and lowering the corporate and individual rates*
- *Do not want the rates to become an “extender”*
- *Timing – Chairman learned his lesson on dates, but is committed to 2017*
- *Question: Are we expecting a deliverable from the Big 6 prior to debate within committee?*
 - *No comment*
- *Question: S Corporations – is there a plan for surfacing issues with S Corporation reform?*
 - *Looking for solutions now, accepting ideas*
 - *This includes partnerships and sole proprietorships*
 - *They have spent a significant amount of time on this issue, they recognize how important it is, but are looking for assistance in ideas*
- *With border adjustment off the table, base erosion is now an issue again – what solutions are being considered?*
 - *Need to address it in a way that does not undercut a means to a more competitive system, without border adjustability, they are looking at other ways to get to that balance*
 - *Encourage feedback – both what and don’t want to do*
- *September work – budget reconciliation – incredibly busy – focus on reform, but budget is connected to reform – competing priorities – debt limit and keeping government open*
- *Still working under the reconciliation vehicle, thus must be revenue neutral unless Senate rules are suspended.*

III. Tax Reform 2017: the Senate Perspective

Andrew Siracuse, Tax Counsel, Senator John Cornyn (R-TX)

- **Chairman Hatch set up sub-groups on tax reform**
 - Had numerous meetings in group format
- **Senate requirements**
 - Pass a budget
 - Questions over reconciliation instructions
 - Base line questions regarding the budget and use of reconciliation process
- **If permanent – questions lie with the rates**
- **Reconciliation will not expire until a new budget is passed**
 - There was some concern that the reconciliation would expire with this fiscal year, but Siracuse believes it is a non-issue (although he did caveat that it was parliamentary on budget decision)
- **What is the next step, publicly, in the SFC?**
 - Chairman would begin having specific hearings
 - Had Debt vs equity
 - Had State and local issues
- **Is integration still on the table?**
 - Believe it will come up during the reform discussion
- **International minimum tax possible?**
 - This concept has sparked some interest

IV. Tax Treatment of Pass-throughs: Possible Solutions

Mel Schwarz, Partner, Grant Thornton

Aaron Taylor, Director, Public Policy, Grant Thornton

- **70/30 split would be challenging**
 - Came from JCT – all income – 70% is based upon wages and 30% return on capital
 - Looking to, essentially, create a safe harbor
 - MJD comment – really bad answer!!
- **Determine “reasonable compensation” using third parties (CPAs, etc.)**
- **Look at earning distributed vs. reinvested**
 - If distributed – tax at personal rates
 - If not distributed – tax at new S Corporation rates
 - We will likely see many companies convert to C Corporation
- **Other objective means are being considered**
- **This has the potential to blow up tax reform, so we need to get this right.**
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V. Conclusion