

TAX ALERT

2017 Tax Reform: Trump proposes big tax cut for businesses

On Wednesday afternoon, U.S. National Economic Director Gary Cohn and Treasury Secretary Steven Mnuchin, on behalf of the Trump Administration, revealed “core principles” of the President’s tax reform plan. Many of the proposals were similar to those he made on the campaign trail, including a cut in the tax rate for businesses to 15%.

Director Cohn and Secretary Mnuchin emphasized throughout the briefing that many details were still being negotiated. For an article summarizing the tax proposals made by President Trump while campaigning, some of which provided a greater level of detail than the overview below, click [here](#).

For business taxpayers:

- The business tax rate would decrease from 35% to 15% for corporations, and the top tax rate for pass-through businesses (e.g., partnerships, S corporations, sole proprietorships) would be reduced from 39.6% to 15%.
- There would be a one-time repatriation tax on offshore earnings. The exact percentage of the tax rate is still being negotiated.
- There would be a shift from a worldwide system of taxation (under which a U.S. taxpayer is generally taxed on its worldwide income regardless of where earned) to a territorial system (under which income would generally be taxed in the country where it is earned). Noticeably absent from the plan is a border adjustment tax, which several House Republicans favor as a way to offset revenue losses resulting from tax cuts.

For individual taxpayers:

- The current seven individual income tax rates would be reduced to three: 10%, 25%, and 35%. Tax brackets (i.e., income levels at which these rates would apply) have not yet been determined.
- The standard deduction would be nearly doubled (to \$24,000 for married filing joint status), with the intended result that fewer taxpayers would itemize.
- The alternative minimum tax (AMT) would be repealed.
- There would be some sort of tax relief for child and dependent care expenses, although no specifics were provided.



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- The alternative minimum tax (AMT) would be repealed.
- There would be some sort of tax relief for child and dependent care expenses, although no specifics were provided.
- The 3.8% net investment income tax (which was enacted as part of the Affordable Care Act, or Obamacare) would be repealed.
- The estate tax would be repealed.
- Most “tax breaks” would be repealed. Exceptions would be made for certain provisions involving home ownership, charitable giving, and retirement savings. In taking questions from the press, Secretary Mnuchin specifically said that the mortgage interest deduction would be retained.

From a timeframe standpoint, Secretary Mnuchin, consistent with recent statements, said that they were determined to “get this done this year.”