



DECODING TAX REFORM

Advising the Advisor

By Chris Morton, Armstrong Robinson, and David Hollingsworth

Friday, 27 October 2017

Don't Forget

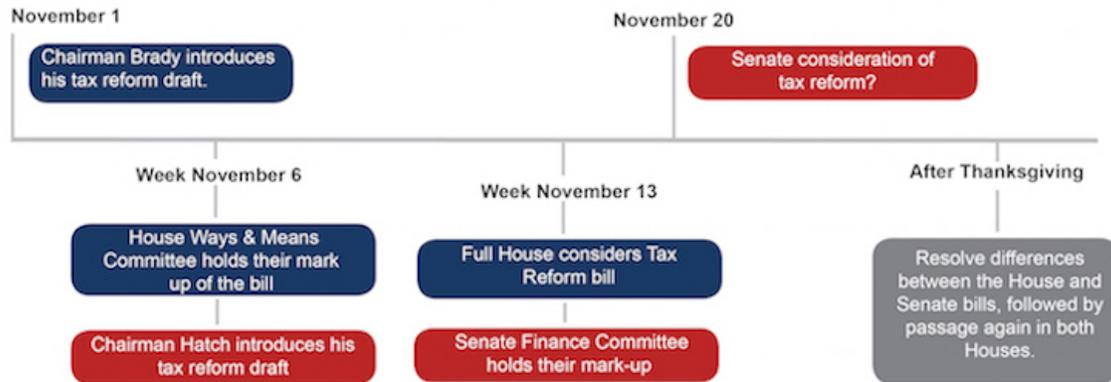
Tune in Tuesday, October 31 at 11am Eastern for the next installment in our webinar series on this topic.

We will need your help and engagement during this process. Stay tuned for alerts to contact your lawmakers in November and press our case in tax reform.

Bottom Line, Up Front

This week Chairman Brady laid out an aggressive timeline for passing tax reform in the House. He intends to introduce legislative text on November 1. House and Senate Leadership have outlined their intention to pass their respective tax reform bills by Thanksgiving. Doing so is a gargantuan undertaking, but they are going to try.

Republican Leadership Proposed Timeline



This timeline is unprecedented. Success will require legislative perfection unseen in recent memory. There is no doubt that a strong brew of enthusiasm and political liability is fueling this ambition. However, we are talking about legislation that affects every single American household and business. It is necessarily complicated with the potential for multitudes of unintended consequences. AALU will be with you every step of the way.

News You Can Use



- [**GOP's Strategy on Tax Plan Raises Concerns of Health-Overhaul Replay**](#) – “The effort to overturn the 2010 Affordable Care Act collapsed after GOP lawmakers wrote the legislation behind closed doors and depended solely on votes from their own party to pass the bill. When three of them balked, the measure failed since no Democrat supported it.”

Concerns continue to emerge as non-tax writing committee members focus on the implications and tradeoffs in the decisions being considered.

- [**Budget vote raises red flag for GOP on tax reform**](#) - 20 House Republicans voted against the budget. Their primary objections fell into two camps: (1) concern over treatment of the State and Local Deduction and (2) the lack of fiscal discipline of the budget proposal.
- [**Ryan says Republican tax plan must speed through choppy waters: Reuters interview**](#) - Alienating any members of his own party could be costly for Trump's legislative initiatives in the Senate because Republicans control the chamber by just a slim 52-48 margin.
- [**Major divisions remain as GOP nears its tax deadline**](#) - “But as they rush forward, lawmakers have not resolved basic questions about how the tax overhaul would affect the wealthy, the middle class or lower-income earners. Still unresolved were several questions: whether the legislation would moderate the expected benefits for the wealthy; whether it would cap or eliminate popular middle-class tax breaks like the state and local tax deduction or the tax benefit of 401(k) retirement plans; and how dramatically it would expand a child-care tax credit that helps working-class families. Also on the table were several critical questions about how the corporate tax code would change.”

Each choice they make involves tradeoffs and despite what you hear about loopholes, all these provisions have invested constituencies. Here are a couple articles on some big ones.

- [**SALT Deduction Becomes Latest Sticking Point on Tax Reform**](#) - One of the biggest revenue raisers being considered by Congressional taxwriters is taking on lots of water.

- [The Mortgage Interest Deduction Would Be Worth Much Less Under The Unified Framework](#)
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The White House and Congressional Republicans continue to disagree about changes to the retirement security system. Tax writers have long been considering modifications to pre-tax contribution limits for 401Ks. But twice this week, President Trump declared that the 401K system will not be touched. At the same time Congressional Republicans insist changes are being considered.

- [President Trump on Twitter: "There will be NO change to your 401\(k\). This has always been a great and popular middle class tax break that works, and it stays!"](#)
 - [House Republicans Are Still Considering 401\(k\) Changes in Tax Overhaul](#)
 - [House GOP tax leader threatens to break Trump's promise not to change 401\(k\) rules](#)
 - [Rep. Kevin Brady: 'Exploring a number of ideas' on potential retirement savings changes](#)
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While Republicans have a number of challenges on the specific provisions of tax reform, there are plenty of wider considerations that threaten successful passage.

- [Trump feuds endangering tax reform](#) "Republicans are warning that a growing war of words between President Trump and key GOP senators is threatening to undercut the party's efforts to pass tax reform and move its agenda."
 - [GOP Divisions Explode in Dramatic Fashion](#)
 - [Trump is now the one holding up the Health Care Bill](#) – Healthcare reform is back on the radar for action before year-end.
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The media continue to highlight those who would benefit from estate tax repeal.

- [The Trump-McConnell-Ryan Tax Plan: A Windfall for President Trump and His Cabinet](#)

AALU Activity



On Thursday, AALU leadership and council met with David Kautter, Assistant Secretary of Treasury for Tax Policy, to gain intelligence on potential tax reform legislation and its impact on our members and the clients they serve. Kautter will also take over as interim commissioner of the IRS on November 12, when Commissioner John Koskinen's term expires. He will hold the acting commissioner position while he remains at Treasury in a key role in the Trump administration's tax reform efforts.

Call us with questions, comments, or your own intelligence at 202.742.4638.

Takeaway for Advisors & Clients

Effective planning protects families and businesses. There will be a lot of ups and downs to the tax reform debate over the coming weeks and months, but diligent and focused planning will ensure that the most important things are protected and secure. We are still in the early innings, and a number of significant hurdles remain.



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AALU Member

Our mailing address is:

AALU

11921 Freedom Drive, Suite 1100

Reston, VA 20190