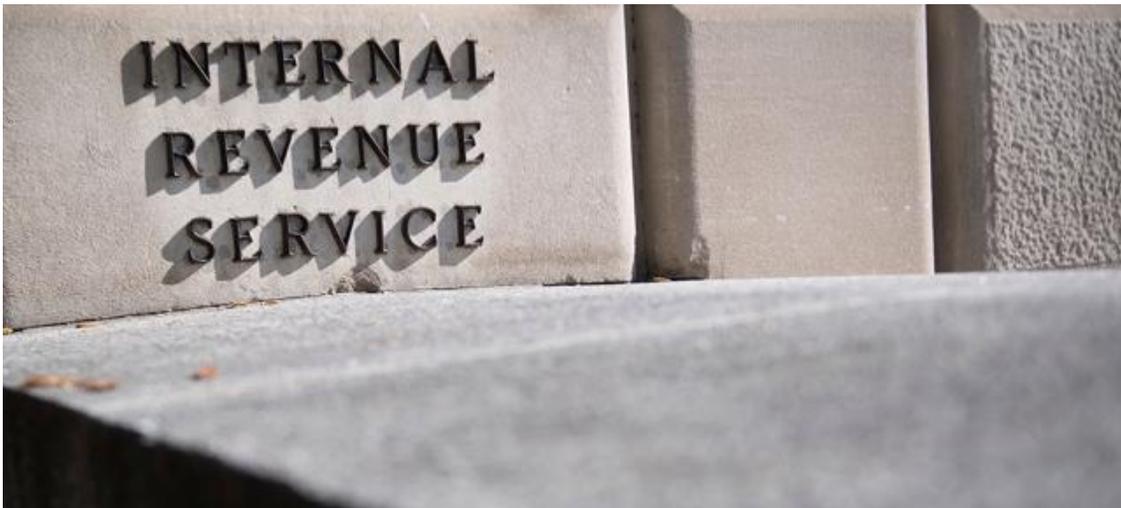


DECODING TAX REFORM

Advising the Advisor

Friday, 22 June 2018

Bottom Line, Up Front



This week marked the six-month anniversary of the successful enactment of the Tax Cuts and Jobs Act. Unfortunately for Republicans planning a wide range of communications and events to celebrate its success; their plans were largely overwhelmed by the debate over immigration and the separation of families.

Stakeholders are breathless with anticipation for the soon expected guidance on the new deduction for pass-through businesses. Confidence among manufacturing firms is at its highest level in twenty years due to last year's tax overhaul. Thanks to their new tax savings, companies are putting more money into retirement accounts and using increased capital to pay down debt, give one-time bonuses, and facilitate stock buybacks. The House Budget Committee passed an FY 2019 budget resolution yesterday, but given the opposition of House leadership and lack of appetite for consideration in the Senate, it will not see further action until after the midterms at the earliest.

Tax Cut Implementation - Passthrough Entities

According to Tax Notes, on June 8th acting IRS Commissioner David Kautter said that guidance on eligibility for passthroughs could come "within a couple of weeks." Top issues include more clarity around the types of businesses that will be eligible for the full 20% deduction. To facilitate guidance, the Senate Appropriations Subcommittee on Financial Services and General Government approved a spending bill that included \$77 million in additional IRS funding (its early in the legislative process for that product, but clearly signals an intent).

- [Lawmakers, businesses await guidance on tax law \(The Hill\)](#)
- [Senate panel approves bill with funds to implement tax law \(The Hill\)](#)

Tax Cut Effects

The results of the National Association of Manufacturers (NAM) quarterly outlook survey were published Wednesday, with 95.1% of manufacturers saying they have a positive outlook for their companies. That represents a record-high for the past twenty years. According to the survey, manufacturers also project wage growth to rise at its fastest pace in seventeen years. Companies are pouring millions of dollars into pension plans ahead of

the drop in the corporate tax rate from 35% to 21%. Chris Senyek, an accounting and tax policy analyst with New York-based Wolfe Research, estimated that companies in the Russell 3000 index with defined-benefit plans could make more than \$90 billion in contributions this year, ahead of the mid-September cutoff. According to the latest CNBC Global CFO Council survey, major corporations are using their increased capital directly credited to tax savings on debt reduction and one-time bonuses, though the largest use of overall capital this year continues to be share buybacks.

- [6 months into the Trump tax law, manufacturing confidence is through the roof \(Business Insider\)](#)
- [Companies Race to Top Off Pension Plans to Capitalize on Tax Break \(WSJ\)](#)
- [Now we know: This is how major corporations are actually spending their tax cuts \(CNBC\)](#)

House Budget Resolution

The House Budget Committee passed a FY 2019 [budget resolution](#) yesterday. However, House leadership has no plans to bring it to the floor in the near future. Given the Senate's operating majority of 50-49 due to Senator McCain's absence from Washington - there is not margin nor appetite for considering a budget in the upper chamber. The next time action might take place on the budget would be the post-election lame duck and is highly dependent on the results of the November elections.

- [House Budget Committee passes 2019 budget resolution \(Washington Times\)](#)



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