



DECODING TAX REFORM

Advising the Advisor

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Beyond the Headlines



With government funding secured through December 7th, the House is in campaign mode through the midterms with control of the chamber at stake. The Senate remains in Washington, D.C. working through the contentious nomination of Judge Brett Kavanaugh to the Supreme Court. A vote is expected tomorrow or Sunday.

The Senate is presently expected to work another three weeks in D.C., mostly focused on nominations.

Days until election day: 32.

There will be a lame duck session of Congress between November 13th and the end of the year. Predicting outcomes from any lame duck session is difficult precisely because so much depends on events that have not happened yet, namely the election and control of the House and Senate. We do know that Democrats and Republicans in the House will elect new leaders and government funding will have to be resolved by December 7th. The big wild-card in that debate will be funding for the Southern border wall, which could involve brinkmanship around a partial shutdown. Also, the updated NAFTA deal recently announced by the White House will proceed under a highly proscribed process for consideration of such international trade deals.

The menu of possible tax items that might be considered in the lame duck includes: tax extenders, technical corrections to the TCJA, and a retirement security package.

Tax Cut Effects

- [Order the Steak! Client Meal Deductions Will Be Allowed \(WSJ\)](#)

This week, the IRS released guidance confirming that client meal expenses will continue to be 50% deductible. The guidance came after confusion followed last year's tax changes, as some tax professionals said the new language could mean that deductions would not be allowed if the business meal was considered "entertainment". The IRS guidance draws a clear line between entertainment expenses and food expenses, and requires itemized documentation in order to take the deduction.

- [What You Need To Know About The New Alternative Minimum Tax \(Forbes\)](#)

Last year's Tax Cuts and Jobs Act (TCJA) made the net cast by the individual Alternative Minimum Tax (AMT) much smaller. Before the TCJA changes, about 5 million taxpayers were expected to pay the AMT. Now, the number has dropped to an expected 200,000 this year. The TCJA substantially increased the AMT exemption, raised the income levels at which the exemptions phase out, and eliminated many of the tax breaks that triggered the AMT in the past.

Midterms

- [Partisan rage over Kavanaugh allegations erupts into midterm campaigns \(Washington Post\)](#)

The Supreme Court confirmation fight over Judge Brett Kavanaugh has the potential to hurt or help either party in November's midterms. For House Republicans in centrist, suburban districts, it could further erode Republican support. For GOP Senate candidates, it could provide a chance to inspire conservatives who have been sitting on the sidelines. For red State Democrats, voting down his confirmation could mean a hit in the polls. Democratic voters have been shown in recent studies to be more energized than Republicans. The Kavanaugh vote could swing the pendulum back the other way, whether he is confirmed or not.

- [GOP struggles to put away vulnerable Dems in Senate battlegrounds \(Politico\)](#)

About half a dozen Senate seat races are too close to call, according to members of Congress, strategists, and pollsters interviewed by Politico this week. While Republicans still have the inside track to defend their majority, they had expected to be in more favorable situations in certain red state races with a month left until the midterms.

- [Analysts say Republicans will likely hold the Senate \(The Hill\)](#)

Despite rising Democratic enthusiasm, analysts predict that Republicans will hold onto the Senate after November. The key, according to experts, is the map. Democrats have 26 Senate seats up for election in November (including 2 Independents who caucus with Democrats), while Republicans only have 9.

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Upcoming Events

- **Special Webinar: Tax reform 2.0, your business, and AALU's transformation** | October 15, 2018 | 2:30pm Eastern | Marc Cadin, CEO, David Byers, President | [Register Here](#)
- **Strategies For Success: Decoding Tax Reform: After the Apocalypse: Indexed UL Product Development After AG49** | October 16, 2018 | 12pm Eastern | Stephan Mitchell (Pacific Life), Karen Joyner (LifeTrends), & David Lear (LifeTrends) | [Register Here](#)
- **WIFS 2018 National Conference: Come see Suzy Jacobs, Senior Vice President of Business Development & Marketing, speak on the Leading the Way: An Industry Perspective panel.** October 24 - 26, 2018 | Use promo code **AALU18** when registering to receive the WIFS member rate. [Register Here](#)



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