



DECODING TAX REFORM

Advising the Advisor

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Beyond the Headlines



With only 12 legislative days left before Congress recesses for the midterm elections, the House and Senate began completing essential business this week. The House Ways and Means Committee looks set to vote on a Tax Reform 2.0 package next week, with a full House vote planned for later this month, though the prospects for action on the bill in the Senate are dim. Funding for the government was thrown into doubt earlier this week when President

Trump raised the possibility of a government shut down in order to secure funding for his Southern border wall. However, after speaking with the President, House Speaker Paul Ryan (R-WI) told reporters Thursday that they had found an agreement for the government to remain funded.

Tax Reform 2.0

On Thursday, the House Ways and Means Committee released updated documents outlining the Republican push for another round of tax cuts. The proposal would make some of the expiring provisions in last year's Tax Cuts and Jobs Act (TCJA) permanent, including the lower individual tax rates, doubled estate tax exemption, 20% passthrough deduction, doubled and expanded Child Tax Credit, and the narrowed scope of the individual Alternative Minimum Tax. It also includes provisions focused on increasing retirement savings, including removing barriers to the creation of multiple employer plans (MEPs), simplifying rules for participation in employer plans, and eliminating the age limit on IRA contributions. The proposal will also allow new businesses to write off more of their initial start-up costs and modifies limits on tax benefits - like the R&D credit - for activities conducted in the early years of a business. Ways and Means Chairman Kevin Brady (R-TX) said the committee plans to mark up the new tax reform effort next week.

Linked below are the documents:

Growing Brand-New Entrepreneurs

Promoting Family Savings

Protecting Family Tax Cuts

- [Ryan Says Vote on New Tax Cuts Still Planned, Despite SALT Hangups \(Bloomberg\)](#)
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One of the biggest concerns regarding the Tax Cut 2.0 push is making permanent the TCJA's \$10,000 limit on state and local tax (SALT) deductions. Most Republicans who voted against the tax law last year are from high tax states. Those same Representatives are now worried that voting for another round of tax cuts could hurt their chances in the upcoming midterm elections. Rep. Tom Reed (R-NY) said he hopes to see the limit sunset, and that other members would be open to such a result. Rep. Peter King (R-NY) said he would not vote for anything that makes the SALT cap permanent.

- [The Real Price Tag for Republican Tax Cuts 2.0 \(The Fiscal Times\)](#)

While House Republicans line up for a second round of tax cuts, the Joint Committee on Taxation (JCT) estimated the total cost of such reforms to be \$627 billion over the 10-year budget window. However, outside analysis estimates that the cost could be in the trillions in the years following that window. The Center on Budget and Policy Priorities (CBPP) estimated that the cost would rise to over \$3 trillion by 2038. A separate analysis by the Penn-Wharton Budget Model found that extending the individual tax cuts would increase government debt by over \$5 trillion by 2040. Republicans have played down the importance of the estimates. Ways and Means Chairman Kevin Brady (R-TX) called the cost a “very modest and smart investment in the economy,” while Committee member Carlos Curbelo (R-FL) said he didn't think the bill would have a decisive impact on the debt situation.

Executive Order on Retirement Security

- [What Trump's Order on RMDs, MEPs Can and Can't Do \(Think Advisor\)](#)

Retirement security experts are undecided on the potential impact of President Trump's executive order on retirement security. Some argue that the President's ability to make changes is limited because, while regulatory agencies can determine whether there is a basis for modifying rules, Congress ultimately holds the power to change the tax and benefits law itself.

- [Industry Weighs President Trump's Executive Order on MEPs, RMDs \(Plan Adviser\)](#)
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Industry stakeholders are optimistic that President Trump's executive order can help Americans saving for retirement. Professionals have been calling for changes to rules limiting the creation of MEPs for years. And while required minimum distributions (RMD) have not been often discussed for reforms, TIAA's head of government relations, Larry Chadwick, believes easing RMD rules will help current and future retirees.

Upcoming Events

- **Strategies for Success: Decoding Tax Reform: The PPLI Opportunity for Producers** | September 18, 2018 | 11am Eastern | Ken Foley (Lombard), Michael Mingoelli (M Financial) & Eric Naison-Phillips (M Financial) | [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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