



DECODING TAX REFORM

Advising the Advisor

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Beyond the Headlines



While the House remained on recess this week, the Senate continued accomplishing the essentials of government. They passed a number of key Appropriations bills and voted

to confirm over a dozen of President Trump's judicial nominations after party leaders struck a deal to allow Senators to return to their districts. Yesterday, in an interview with Bloomberg News, the President again discussed the possibility of indexing capital gains for inflation by regulation. House Ways and Means Chairman Kevin Brady (R-TX) said he did not plan to include capital gains indexing in his second round of tax cuts, but he is open to the Treasury proceeding on its own. Chairman Brady intends to introduce Tax Reform 2.0 in September, but the ultimate contours of the bill remain unclear. On the retirement front, President Trump is expected to sign an executive order today directing the Treasury and Labor Departments to review ways to increase retirement savings—including removing barriers to the formation of multiple employer plans (MEPs).

AALU continues to analyze the recently released 199A guidance regarding the new 20% deduction available to pass-through business owners. Keep an eye out for a detailed analysis of this guidance in the near future.

Tax Cuts Effects

- [U.S. Corporate Profits Soared in Second Quarter, Boosted by Tax Cuts and Economic Growth \(WSJ\)](#)

The Commerce Department reported Wednesday that after-tax profits rose 16.1% in the latest quarter this year, representing the largest year-over-year gain in six years. The Department also revised its estimate of economic growth in the second quarter upward from 4.1% to 4.2%. However, executives have expressed concern that the motivation business felt after last year's tax cuts will fade if economic growth and profits slow. Also tempering their optimism are worries that the Trump administration's trade policy will increase costs for business.

- [Treasury Secretary Steve Mnuchin doubled down on a claim about the tax bill that almost every independent group says is wrong \(Business Insider\)](#)

On Tuesday, Treasury Secretary Steve Mnuchin claimed that the GOP tax law would not only pay for itself, but it would create additional revenue for the government. This goes against a number of analyses, like one from the independent Congressional Budget Office (CBO), that projects that the US will face annual budget deficits of \$1 trillion or more by 2020 unless significant changes are made. The White House Office of Management and Budget (OMB) also concluded that the tax bill will add considerably to the deficit in the coming years.

SALT Regulation

- [State-Local Tax Cap Jitters Could Force GOP to Rethink Tax 2.0 \(Bloomberg News\)](#)

Questions are looming over whether Republicans will include the TCJA's \$10,000 cap on state and local tax deductions in their efforts to make permanent provisions from last year's tax overhaul. It was one of the more contentious parts of the tax law; of the 12 House Republicans who voted against the tax bill, most were from the high tax states of New York and New Jersey. Concerns are growing among Congressional Republicans about whether the legislation will even get a vote in the full House chamber. To avoid alienating members of their own party, Republican leaders could be forced to narrow their priorities in any Tax Reform 2.0 package.

- [Murphy, top Democratic lawmakers decry IRS rules blocking SALT workaround \(Politico\)](#)

New Jersey Governor Phil Murphy and top State Democratic lawmakers pushed back against the Trump administration's move to block state efforts to work around the new

limit on state and local tax deductions. The New Jersey Attorney General's Office plans to file formal objections to the new rule and, failing those, legal action. Governor Murphy said he hopes that the new IRS rules will prompt red states with pre-existing programs similar to those reacting to the TCJA changes to join the fight.

Retirement Savings

- [Trump to sign executive order to boost retirement savings \(Politico\)](#)

President Trump is expected to sign an executive order today that directs the Treasury and Labor Departments to look at ways to increase retirement savings, including removing barriers that make it harder for small employers to come together to offer retirement plans to their workers. The order will also ask the Treasury Department to review the rules for mandatory withdrawals from 401(k) plans and individual retirement accounts.

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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