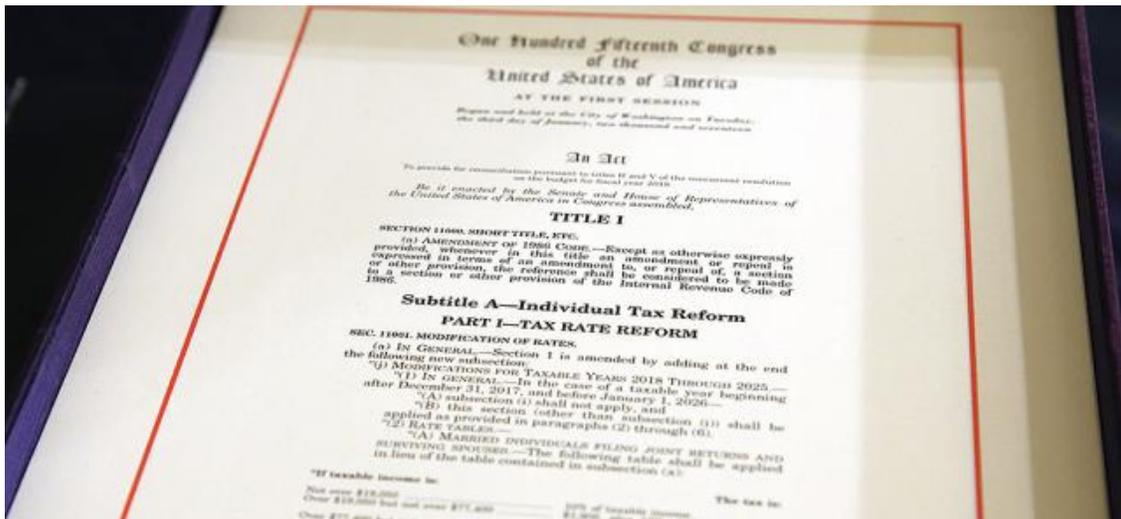


DECODING TAX REFORM

Advising the Advisor

Friday, 15 June 2018

Bottom Line, Up Front



The economy continues to look strong in the wake of last year's tax bill, with small business optimism near record levels. However, business leaders and economists are worried that President Trump's trade agenda could threaten the economic momentum from the tax bill. Multiple groups are putting pressure on Congress regarding fixes to the Tax Cuts and Jobs Act. This week's primaries gave mixed results to Democrats and Republicans – meaning the fall electoral picture remains murky.

Tax Cut Effects

This week, the Penn Wharton Budget Model projected that changes to the taxation of businesses could incentivize those organized as pass-throughs to convert to c-corporations, with doctors, lawyers, and investors said to be the most likely to switch. The 2017 tax act was cited in the National Federation of Independent Businesses' small business optimism index as a main reason for an improved outlook. It now sits at its second highest level in its 45-year history. Gary Cohn, President Trump's former director of the National Economic Council, warned that gains from the Tax Cuts and Jobs Act could be negated by inflation, higher manufacturing costs, and lower levels of investment due to a potential trade war stemming from the President's tariffs fight.

- [Projecting the Mass Conversion from Pass-Through Entities to C-Corporations \(Penn Wharton Budget Model\)](#)
- [Small business optimism jumps to second-highest level ever; tax cut cited \(CNBC\)](#)
- [Trade war could wipe out gains of GOP tax law, former top Trump economic adviser says \(Washington Post\)](#)

Tax Cuts Follow-Up

Congress is feeling pressure on multiple fronts regarding the next steps on the tax agenda. Industry groups representing retailers, restaurants, the wine industry, and the non-profit sector are pushing for fixes to glitches in the

quickly-passed TCJA. More attention is turning to the GOP's effort to produce Tax Reform 2.0.

- [Congress faces rising pressure to fix tax law \(The Hill\)](#)
- [Liberal groups, unions urge lawmakers to oppose second round of Trump tax cuts \(The Hill\)](#)

Politics

In politics this week, a second incumbent lost in a primary battle, this time in South Carolina. Virginia's races featured Democratic candidates tacking towards the center, bucking the national trend of democratic primary candidates battling for position on the left. Results from Tuesday's primaries showed that Trump's endorsement remains a mixed bag, as candidates he endorsed saw both wins and losses. Tuesday also saw women win primaries in record numbers.

- [The races to watch as Maine, Nevada, North Dakota, South Carolina and Virginia hold primary elections Tuesday \(CNBC\)](#)
- [Top takeaways from Tuesday's Trumped-up primaries \(Politico\)](#)
- [Rep. Mark Sanford defeated in South Carolina after critical Trump tweet \(Washington Post\)](#)



Copyright © 2018 AALU, All rights reserved.

AALU Member

Our mailing address is:

AALU

11921 Freedom Drive

Suite 1100

Reston, VA 20190