



DECODING TAX REFORM

Advising the Advisor

Friday, 25 May 2018

Bottom Line, Up Front



This week, both Republicans and Democrats set out their initial priorities for the next round of tax legislation. More taxpayers will likely owe no taxes this year and banks are recording record profit increases. The IRS responded to the efforts of several States making changes to their tax code in reaction to the new tax law.

Tax Cut Effects

An estimated 45% of tax filers are likely to have zero federal income tax liability in 2018, a 2.3 million increase relative to estimates under the previous tax law. Banks net income increased 27.5% in the first quarter of 2018.

- [45% of tax filers will owe nothing in federal income taxes this year \(CNN\)](#)
- [After tax cuts, more banks are profitable than at any time in the past two decades \(Market Watch\)](#)

Tax Cuts Phase 2

Both President Trump and House Ways and Means Chairman Kevin Brady voiced their desire to vote on a Round 2 of tax cuts before November. Chairman Brady told an AALU Ambassador last night he would like to introduce the bill in July. Two House Republican Leaders this week told AALU in separate conversations they would like a House vote in September. The centerpiece of the new bill would be making the expiring tax cuts for individuals and pass-through business owners permanent.

Meanwhile, Senate Minority Leader Chuck Schumer and House Minority Leader Nancy Pelosi announced [a plan](#) to fund pay increases for educators and school infrastructure by rolling back provisions of last year's tax overhaul. We got a preview of potential

Democratic messaging on taxes this week courtesy of Democratic nominee Sean Casten (IL-6). His tax plan focuses on uncapping the new State and local tax deduction, restoring a top tax rate for millionaires, reversing changes to the taxation of pass-through income, and adding tax incentives for companies that invest in jobs.

- [Tax cuts 2.0 can be done by November elections: Congressman Brady \(Fox Business\)](#)
- [Trump says he will propose new tax cuts prior to November \(CNBC\)](#)
- [Dems call for teachers' raises funded by killing tax cut for wealthy \(The Hill\)](#)
- [House Democratic Tax Plan Foreshadowed in Sixth District of Illinois \(Forbes\)](#)

State Reactions

This week, the IRS warned States about overstepping their authority when making changes in response to the new limitations of State and local tax deductions. New Jersey Attorney General Gurbir Grewal (D) responded to the IRS by defending the workarounds, asserting that many States have similar systems and it is consistent with previous IRS guidance. Tennessee Governor Bill Haslam (R) signed a bill with week decoupling Tennessee from the recent federal changes to business interest tax deduction; they won't apply in the State.

- [IRS Warns States on Their Workarounds to Tax Overhaul \(WSJ\)](#)
- [AG Grewal Says New Jersey Could Sue IRS Over SALT Tax Guidance \(Observer\)](#)

- [Tennessee Rejects Federal Changes to Interest Tax Deduction \(Bloomberg\)](#)
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Upcoming Events

- **Strategies for Success: Decoding Tax Reform - Impact on Small Business** | Feat. Tom Sellin | Tuesday, June 5th, 11am Eastern | [Register Here](#)



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