



## **Newsire Special Report Series: Navigating the New Administration**

*With Republicans in control of the Presidency and both Houses of Congress, we expect increased legislative activity this session - including potential movement on comprehensive tax reform, among other items. With so many fast-moving developments that can ultimately impact the life insurance industry, AALU will provide regular policy updates throughout the week to make sure you have the information you need when talking to colleagues and clients during the next few months.*

---

### **President Trump Promises Tax Reform Outline This Week**

Last Friday, President Trump announced that his Administration would have a big tax reform announcement this Wednesday, surprising some on Capitol Hill.

The White House has since downplayed expectations, saying that the release will involve “broad principles and priorities.” Yesterday, OMB Director Mick Mulvaney said that the Administration would put forth governing principles and some guidance, and suggested that the White House is still unsure about key details.

While there are still plenty of questions about the content of Trump’s tax reform package, the Administration has provided some guideposts. Treasury Secretary Mnuchin has repeatedly stated the plan will create enough economic growth to generate trillions of dollars in revenue when using dynamic scoring, explaining that, “the plan will pay for itself with growth” at an Institute for International Finance conference last week. Mnuchin said on Saturday that the goal is to get a sustainable 3% growth rate from tax reform, and has discussed 4% growth rates in the past. OMB Director Mulvaney said that, “...[the Administration isn’t] starting off saying, ‘how do we do something that’s deficit-neutral?’ We’re starting off saying, ‘how do we get economic growth?’”

While President Trump has not provided many details when it comes to tax reform, priorities the Administration have previously highlighted include middle-class tax cuts, more simplified personal taxes, and a more competitive business tax code.

Of course, a fundamental question is whether Trump’s tax plan will be in line with House Republican proposals. One key sticking point is the border adjustability provision in the House Blueprint.

Border adjustability exempts businesses from paying taxes on exports, but denies them a deduction for the cost of imported goods, and is a key provision of the Blueprint raising \$1 trillion to \$1.2 trillion in revenue. President Trump campaigned on promoting American manufacturing and jobs, but while coming close, he has never specifically endorsed border adjustability.

Congress adjourned for the two-week Easter recess without addressing health care, and while Trump is encouraging House leaders to pass a revised health care package this week, it is unclear when a health care reform bill might move forward. Regardless, Republicans will be increasingly focused on tax reform going forward.

The timeline for tax reform has been pushed back, with most Republican leaders acknowledging that tax reform will push to the end of 2017, if not beyond. A government shutdown must be avoided this week as Congress returns from Easter recess, and a number of hurdles to enacting major tax reform remain. The battle over Gorsuch's nomination to the Supreme Court has strained the environment in the Senate, which will likely slow down Senate business.

Yet despite the hurdles, it is important to remain vigilant. AALU continues to meet regularly with Members of Congress and their staff, in addition to members of the new Administration, about the importance of life insurance products and our concerns with potential tax reform provisions, in addition to our engagement with our industry partners. The Annual Meeting will be a key opportunity to make our voices heard on Capitol Hill, and, of course, we will be providing members with more details on developments as they unfold. We also look forward to hosting Director Mulvaney at our Annual Meeting.