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Global Tax Alert

Report on recent US international tax developments – 20 October 2017

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The US Senate took a critical step forward on tax reform on 19 October, approving a Fiscal Year 2018 budget resolution with tax reform reconciliation instructions that call for a net tax cut of not more than US$1.5 trillion over a 10-year period. Late changes to the Senate budget resolution were made to make it more appealing to the House and potentially speed the tax reform process. If the Senate resolution can be passed in the House – potentially as soon as next week – it would eliminate the need for a conference agreement or other negotiations to resolve differences between the chambers. This would accelerate the process for tax reform given that House leaders have said a tax bill will not be released and processed until the budget is completed.

Both chambers must approve the same resolution in order to authorize the reconciliation process that will allow a tax reform bill to pass the Senate by a simple majority (with the Vice President available to break a tie), rather than the 60-vote threshold necessary to overcome a filibuster.

On the House side, Ways and Means Committee Republicans reportedly will hold meetings on tax reform legislation on 24-25 October. House Republicans and Administration officials this week also continued the refrain that tax reform will be enacted in 2017. House Speaker Paul Ryan said he expected the House would pass tax reform legislation in November that would become law in December. Treasury Secretary Steven Mnuchin appeared to agree, saying it was an "absolute guarantee" that tax reform could be completed in 2017. He added, "We expect that we'll get it [tax reform legislation] to the president's desk by the beginning of December."

On the details, National Economic Council Director Gary Cohn said that while the Administration is open to negotiation on tax reform, it remains firm on two points: cutting the corporate tax rate to 20% and providing middle-class tax relief. He also said the Administration is committed to getting the pass-through rate down to the "25% range." Cohn further confirmed that the interest deduction would be limited for C corporations, but preferably left untouched for pass-throughs.

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