



WTB

October 30, 2017

More Helpful Hints



Adjust your volume

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- Click this blue button. Slide the control to the left or right to fit your needs.



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- Access today's slides and learning materials by clicking this green 'Resources' button at any time during this presentation.
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About the Washington Tax Brief

Webcast Series to Update You On:

- The regulatory and political environment for tax issues
- AICPA's advocacy efforts to:
 - protect your professional interests
 - support sound tax policy
 - promote effective tax administration
- Open to All AICPA Members
- Open to All State Society Staff and Committee Members



Today's Presenters



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Senior Manager
AICPA Tax Policy & Advocacy



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Senior Manager
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Senior Manager
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Today's Topics

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TAX REFORM

2

EXECUTIVE ORDER 13789

3

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IRS DISPUTE RESOLUTION

5

NEW PARTNERSHIP AUDIT
REGIME

6

ACA REPEAL & REPLACE

7

HOT TOPICS



TAX REFORM

THE DAILY NEWS

www.dailynews.com

THE WORLD'S FAVORITE NEWSPAPER

- Since 1879

CHAIRMAN HATCH CALLS FOR FEEDBACK



WASHINGTON – As Congress and the administration continue to work to overhaul the nation's broken tax code, Senate Finance Committee Chairman Orrin Hatch (R-Utah) today called on tax stakeholders to provide ideas, proposals, and feedback on how to improve the American tax system.

"After years of committee hearings, public statements, working groups, and conceptual exercises, Congress is

poised to make significant steps toward comprehensive tax reform," Hatch said in a letter. "Members from both parties have acknowledged the shortcomings of our current tax system and the need for meaningful reforms to encourage economic growth and alleviate many of the burdens imposed on hardworking taxpayers...As we work to achieve those goals, it is essential that Congress has the best possible advice and insight from experts and stakeholders."

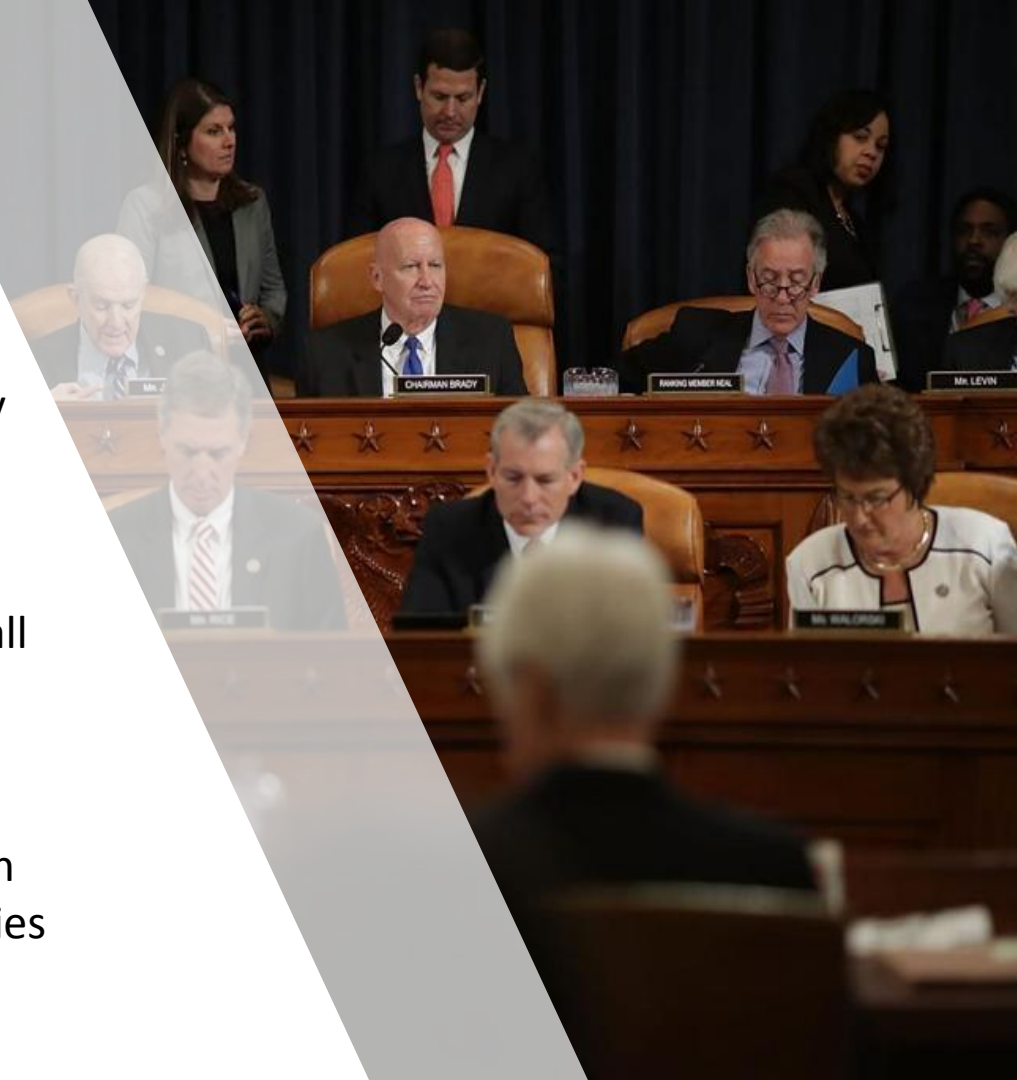
Submissions may be made to the Senate Finance Committee at taxreform2017@finance.senate.gov. The deadline to respond is July 17, 2017. All submissions will be carefully examined and considered as Congress works to craft an overhaul of the U.S. tax code. To ensure the privacy of stakeholders and their proposals, all submissions will be kept confidential.

Specifically, Chairman Hatch is looking for recommendations on

House Ways & Means Committee

Tax Reform Hearings (115th Congress)

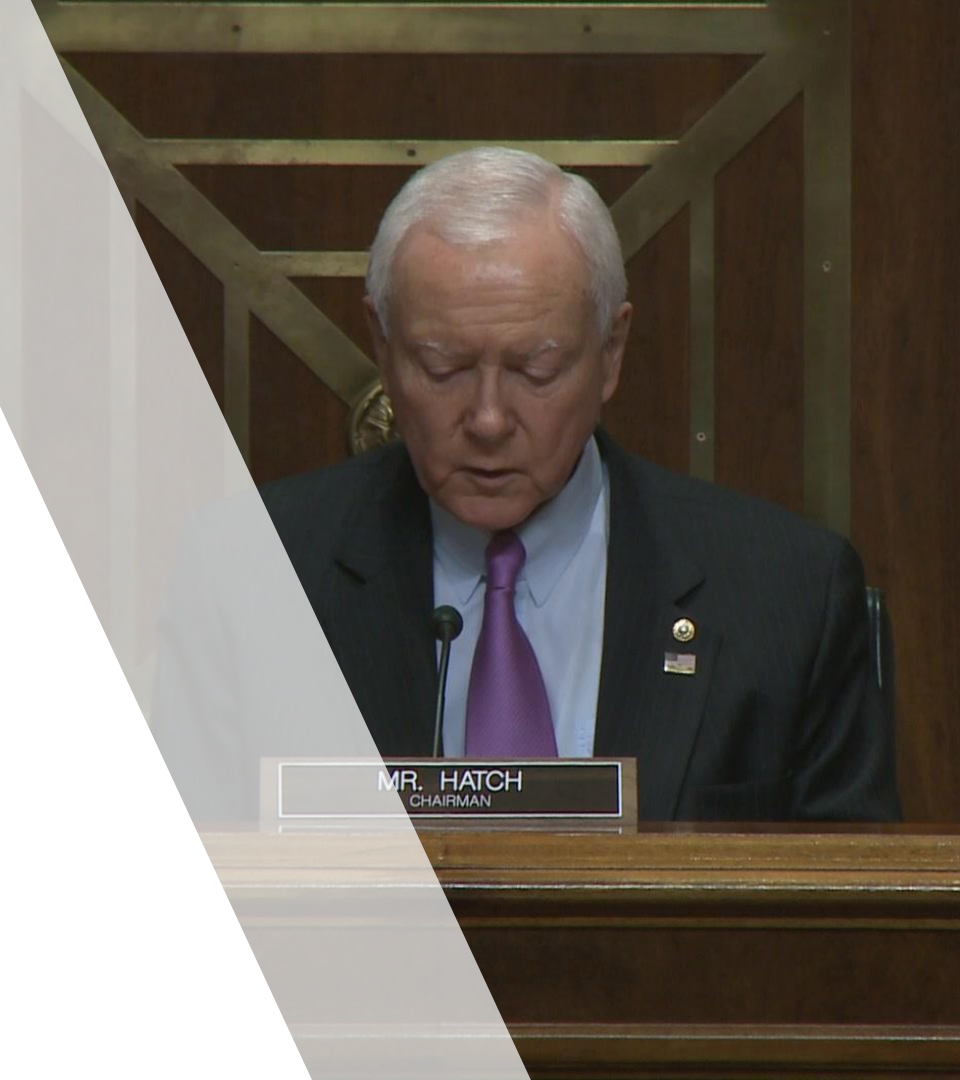
- How Tax Reform Will Grow Our Economy and Create Jobs
(May 18th)
- How Tax Reform Will Help America's Small Businesses Grow and Create New Jobs
(July 13th)
- How Tax Reform Will Simplify Our Broken Tax Code and Help Individuals and Families
(July 19th)



Senate Finance Committee

Tax Reform Hearings (115th Congress)

- Fiscal Year 2018 Budget Proposals for Treasury and Tax Reform (**May 25th**)
- Comprehensive Tax Reform: Prospects and Challenges (**July 18th**)
- Individual Tax Reform (**Sept. 14th**)
- Business Tax Reform (**Sept. 19th**)
- International Tax Reform (**Oct. 3rd**)



AICPA Testimony at Congressional Hearings

Highlights Key Issues for Profession

- Our **tax system** must be administrable, stimulate economic growth, have minimal compliance costs, and allow taxpayers to understand their tax obligations.
- Congress should continue to encourage, or at least – not discourage, the formation of sole proprietorships and **pass-through entities**.
- We are concerned with, and oppose, any new limitations on the use of the **cash method** for service businesses.
- We should not take away or limit the **interest expense deduction** for many small businesses who, with little or no access to equity capital, are forced to rely on debt financing.



AICPA Testimony at Congressional Hearings

Promotes Fair and Equitable Tax Reform

- *Excluding professional service firms reflects a view of the service industry that does not represent the **current global environment**. In today's economy, professional service firms are **increasingly competing on an international level** with businesses organized as corporations.*
- *They also **require a significant investment**, and rely on the contribution of employees to generate a substantial portion of the revenue.*
- ***Artificially limiting the use of a lower business rate**, regardless of industry, would **penalize a business** for operating as a pass-through entity.*



“Big Six” Senior Tax Policymakers



Senate Finance
Committee
Chairman
Orrin Hatch



Senate Majority
Leader
Mitch McConnell



House Speaker
Paul Ryan



House Ways and
Means Committee
Chairman
Kevin Brady



Treasury
Secretary
Steven Mnuchin



White House
Economic Adviser
Gary Cohn



PRESS RELEASE

Joint Statement on Tax Reform

July 27, 2017 | Speaker Ryan Press Office

WASHINGTON—Today, House Speaker Paul Ryan (R-WI), Senate Majority Leader Mitch McConnell (R-KY), Treasury Secretary Steve Mnuchin, National Economic Council Director Gary Cohn, Senate Finance Committee Chairman Orrin Hatch (R-UT), and House Ways and Means Committee Chairman Kevin Brady (R-TX) issued the following joint statement on tax reform:

"For the first time in many years, the American people have elected a President and Congress that are fully committed to ensuring that ordinary Americans keep more of their hard-earned money

and that our tax policies encourage employers to invest, hire, and grow. And under the leadership of President Trump, the White House and Treasury have met with over 200 members of the House and Senate and hundreds of grassroots and business groups to talk and listen to ideas about tax reform.

"We are all united in the belief that the single most important action we can take to grow our economy and help the middle class get ahead is to fix our broken tax code for families, small business, and American job creators competing at home and around the globe. Our shared commitment to fixing America's broken tax code represents a once-in-a-generation opportunity, and so for three months we have been meeting regularly to develop a shared template for tax reform.

"Over many years, the members of the House Ways and Means Committee and the Senate

Finance Committee have examined various options for tax reform. During our meetings, the Chairmen of those committees have brought to the table the views and priorities of their committee members. Building on this work, as well as on the efforts of the Administration and input from other stakeholders, we are confident that a shared vision for tax reform exists, and are prepared for the two committees to take the lead and begin producing legislation for the President to sign.

"Above all, the mission of the committees is to protect American jobs and make taxes simpler, fairer, and lower for hard-working American families. We have always been in agreement that tax relief for American families should be at the heart of our plan. We also believe there should be a lower tax rate for small businesses so they can compete with larger ones, and lower rates for all American businesses so they can compete with foreign ones. The goal is a plan that reduces tax

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rates as much as possible, allows unprecedented capital expensing, places a priority on permanence, and creates a system that encourages American companies to bring back jobs and profits trapped overseas. And we are now confident that, without transitioning to a new domestic consumption-based tax system, there is a viable approach for ensuring a level playing field between American and foreign companies and workers, while protecting American jobs and the U.S. tax base. While we have debated the pro-growth benefits of border adjustability, we appreciate that there are many unknowns associated with it and have decided to set this policy aside in order to advance tax reform.

"Given our shared sense of purpose, the time has arrived for the two tax-writing committees to develop and draft legislation that will result in the first comprehensive tax reform in a generation. It will be the responsibility of the

Individuals: Tax Rates



What's IN?

- 3 tax brackets (12%, 25% & 35%)
- Inflation adjustments

Tax Reform

UNIFIED FRAMEWORK
FOR FIXING
OUR BROKEN TAX CODE

Sept. 27, 2017



MORE jobs | FAIRER taxes | BIGGER paychecks

Individuals: Tax Rates



What's IN?

- 3 tax brackets
- Inflation adjustments

What's OUT?

- AMT

Tax Reform

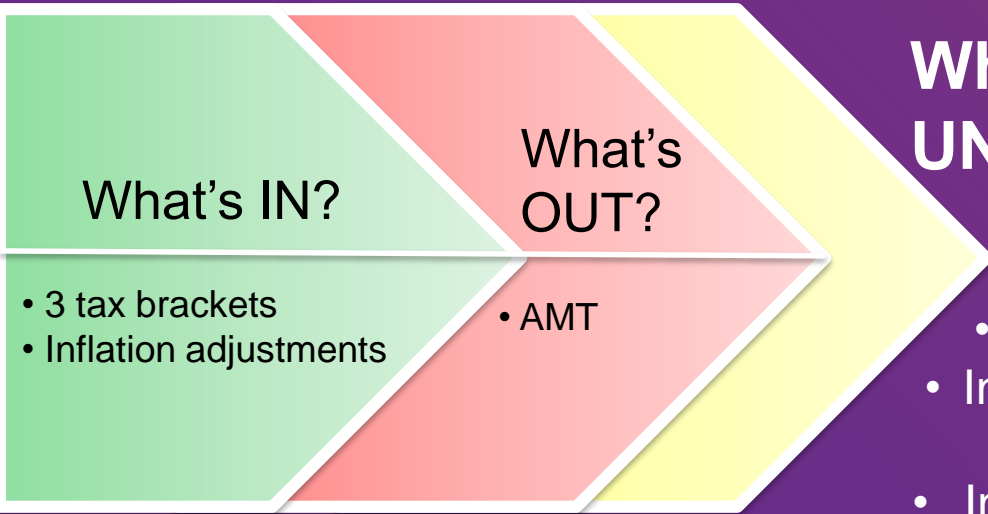
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Individuals: Tax Rates



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What's OUT?

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What's UNCERTAIN?

- Add'l top rate
- Income thresholds
 - Kiddie tax
- Investment income

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Individuals: Middle Class Relief



What's IN?

- Doubling the standard deduction
- Increase in child tax credit
- \$500 credit for non-child dependents

Individuals: Middle Class Relief

What's IN?

- Standard deduction
- Child tax credit
- Credit for non-child dependents

What's OUT?

- Personal exemptions
- Additional exemptions

Individuals: Middle Class Relief

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What's UNCERTAIN?

- HOH, MFS & surviving spouse options
- Dependent care & other credits

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Individuals: Itemized Deductions

What's IN?

- Mortgage interest
- Charitable donations
- Benefits that encourage “work, higher education and retirement security”

Individuals: Itemized Deductions

What's OUT?

All other itemized deductions
.....real estate taxes
.....casualty loss
.....miscellaneous

What's IN?

- Mortgage interest
 - Charitable donations
- Work, education & retirement

Individuals: Itemized Deductions

What's UNCERTAIN?

- Transition/
Grandfathering
rules
- State income
tax deduction

What's OUT?

- All other itemized
deductions

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Individuals: Estate Tax



What's IN?

Individuals: Estate Tax

What's IN?

What's OUT?

- Estate tax
- Generation-skipping transfer tax

Individuals: Estate Tax

What's IN?

What's OUT?

- Estate tax
- GST tax

What's
UNCERTAIN?

- Gift tax
- Basis rules
- Filing options for surviving spouses

Individuals: Estate Tax

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What's OUT?

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Business Tax Rates

What's IN?

- Small business rate 25%
- Corporate rate 20%



Business Tax Rates

What's OUT?

AMT

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Business Tax Rates

What's UNCERTAIN?

- Other pass-through entities
- Reasonable compensation

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Businesses Deductions & Credits



What's IN?

- 100% expensing (5 years)
- R&D credit
- Low-income housing

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What's OUT?

- Net interest expense (partially) for C corps
- Sec. 199 deduction
- Other credits

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International

What's OUT?

- Border adjustability tax

What's IN?

- Territorial system
- Mandatory repatriation

What's UNCERTAIN?

- Repatriation rates & timing
- Transition rules
- Base protection rules

What's IN?

- Territorial system
- Mandatory repatriation

tax
justability

• Bas

What's OUT?

- Border adjustability tax

What

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• E

tax sustainability

What's UNCERTAIN?

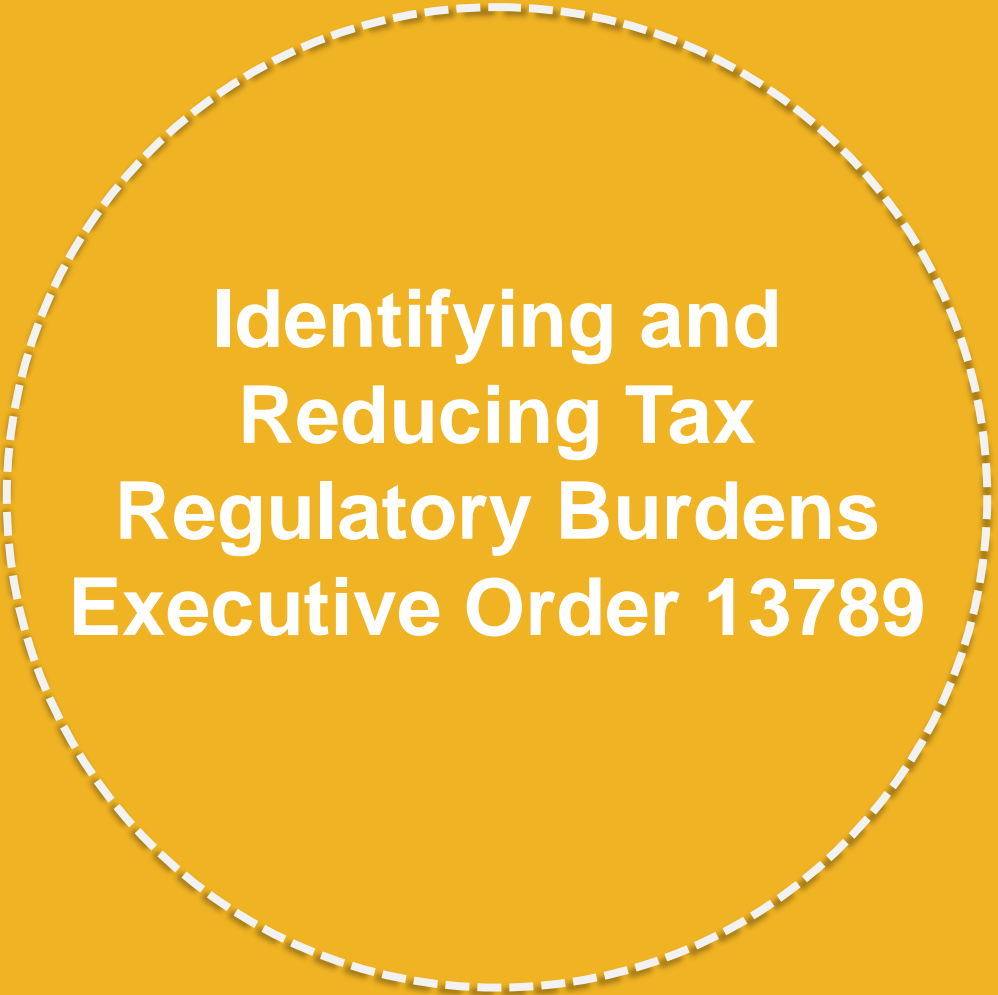
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What's IN?

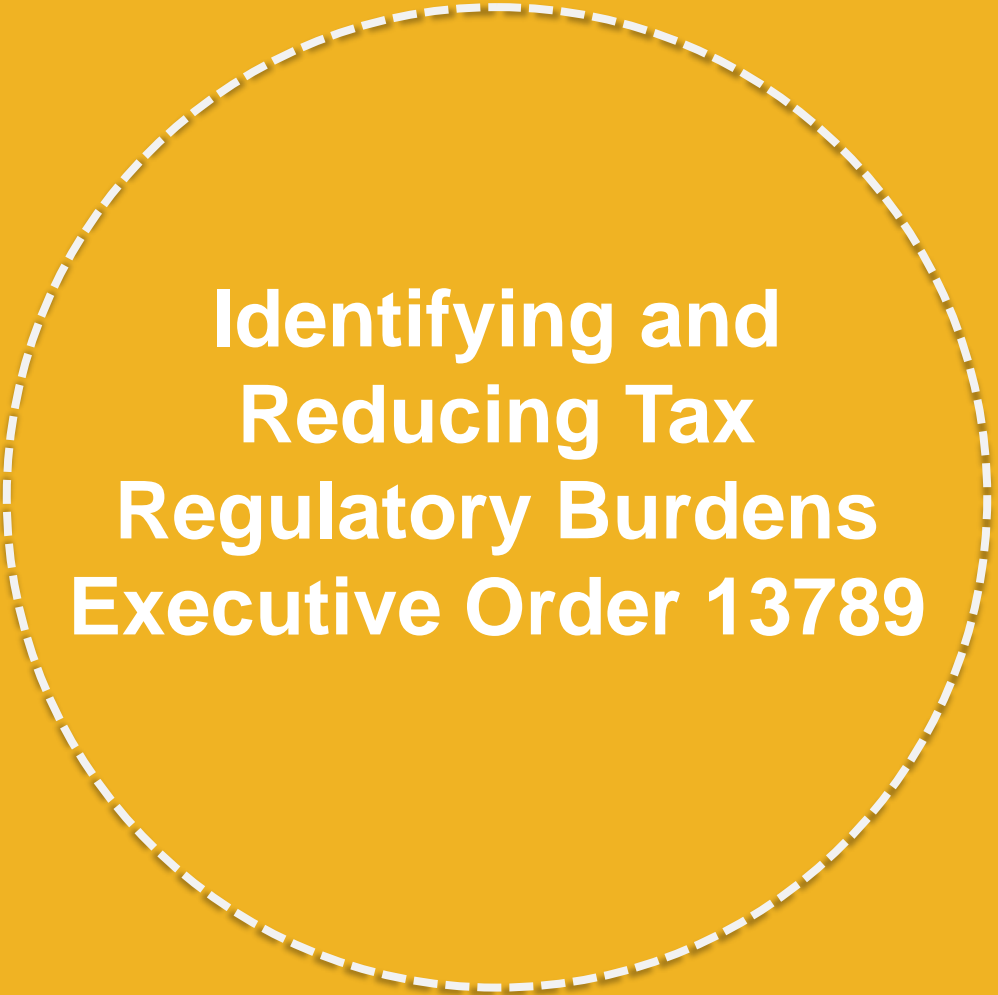
System
transition



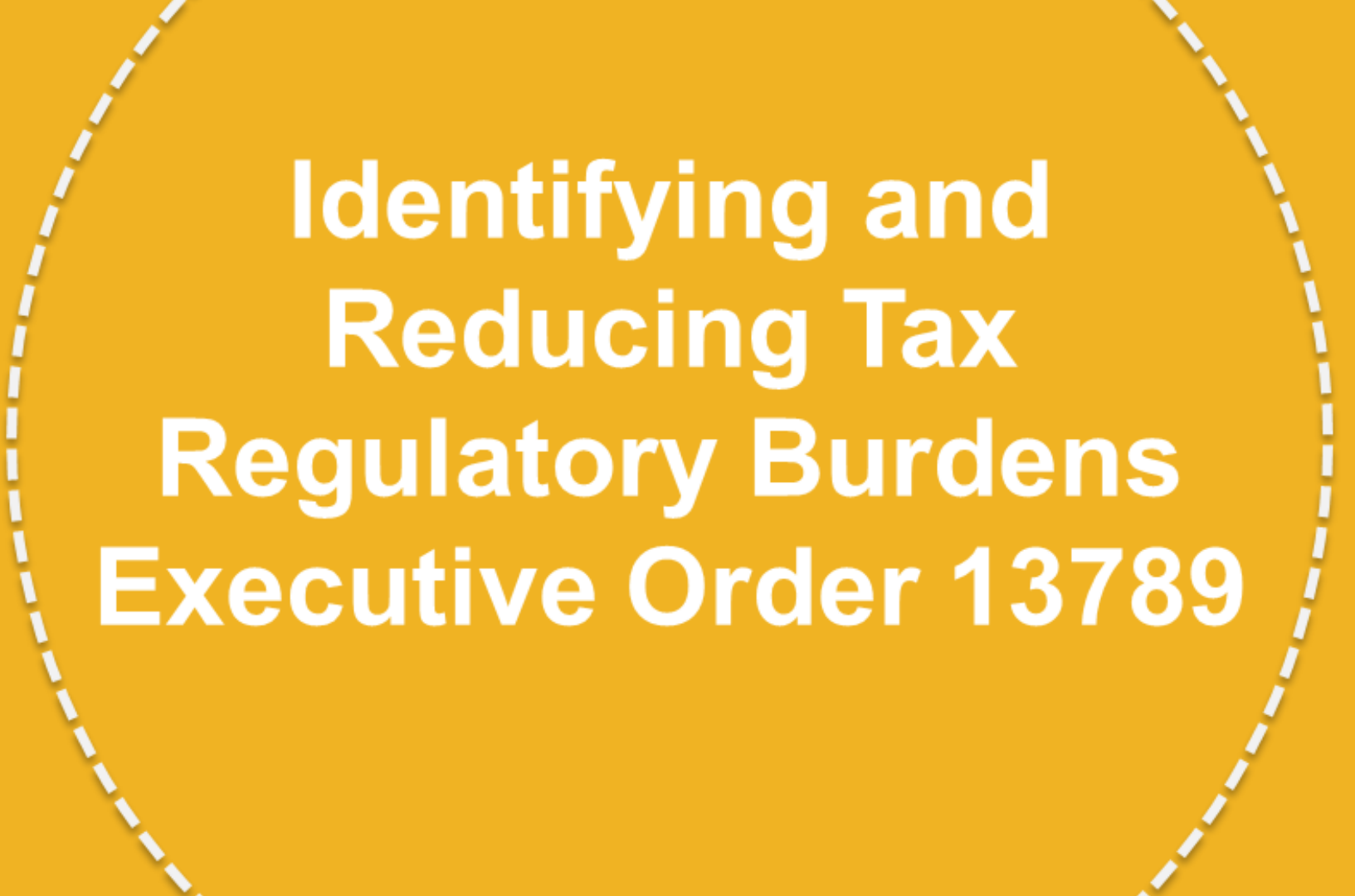
EXECUTIVE ORDER 13789
Identifying And Reducing Tax
Regulatory Burdens



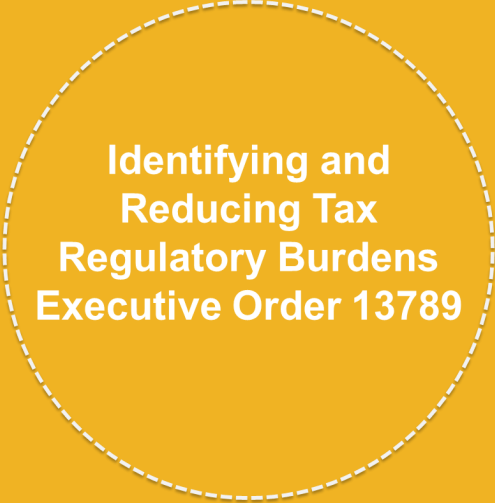
**Identifying and
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**Section 2704
Prop. Regs.**

**Section 385
Temp. & Final
Regs.**

**Executive Order
13789**

**Section 367
Final Regs.**

**Section 987
Final Regs.**

Withdrawn

**Overly
Broad**

Complex

**Financial
Burden**

Section 2704
Prop. Regs.

**Considered for
Revocation in
Part**

**Reclassify
Debt as
Equity**

**Section 385
Final & Temp.
Regs.**

**Streamline
Documentation
Requirements**

**Distribution
Rules
Retained
(for now)**

**Substantial
Revision**

**Administrative
Burden**

**Section 987
Final Regs.**

**Retain
Yearly Avg.
Exchange
Rate
Election**

**Retain
Annual
Deemed
Termination
Election**

**Substantial
Revision**

**Undue
Financial
Burden**

**Section 367
Final Regs.**

**Contrary to
Congressional
Intent**

**Undue
Complexity**



TAX DISASTER RELIEF



FEMA

FEMA Disaster Declarations

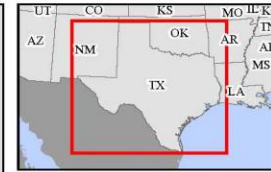
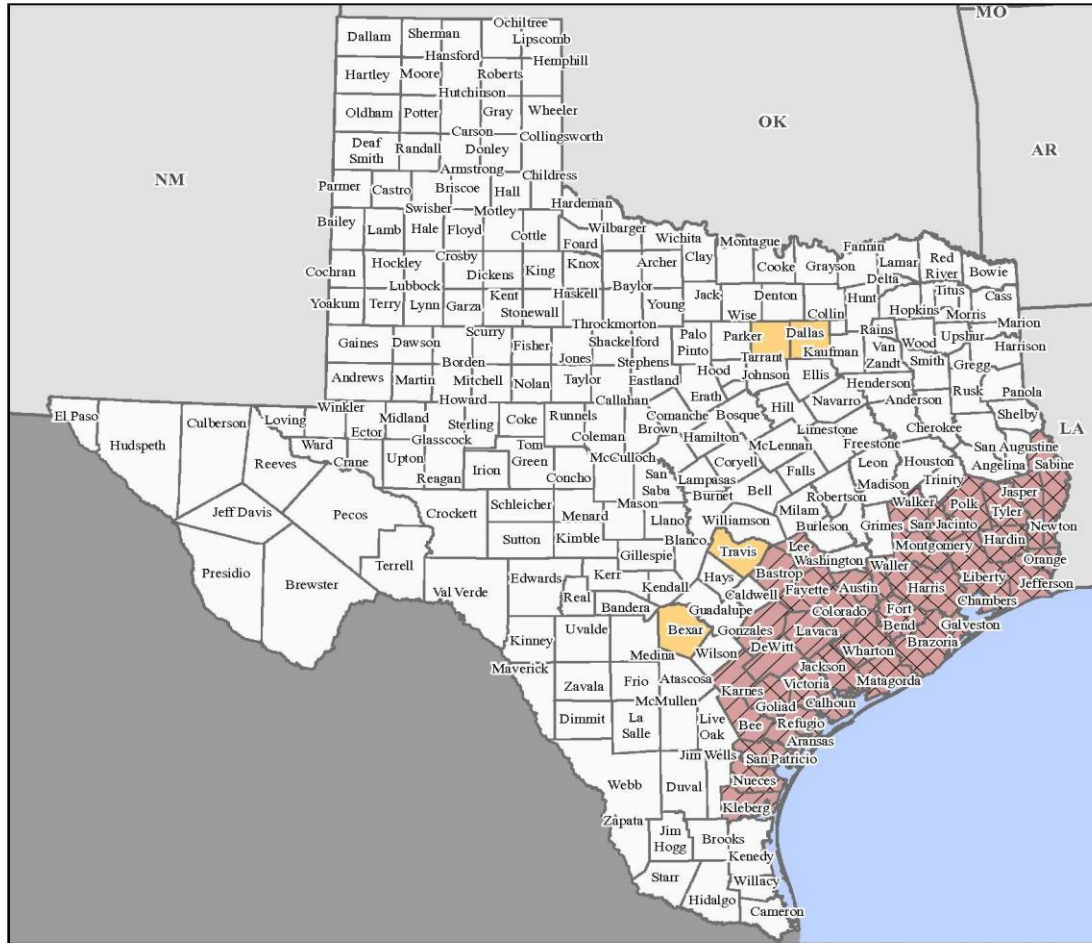


Individual vs. Public Assistance

FEMA-4332-DR, Texas Disaster Declaration as of 09/04/2017



FEMA

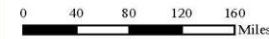


Data Layer/Map Description:
The types of assistance that have been designated for selected areas in the State of Texas.

All designated areas in the State of Texas are eligible to apply for assistance under the Hazard Mitigation Grant Program.

Designated Counties

- No Designation
- Public Assistance (Category B)
- Individual Assistance and Public Assistance (Categories A and B)
- Individual Assistance and Public Assistance (Categories A - C)



Data Sources:
FEMA, ESRI;
Initial Declaration: 08/25/2017
Disaster Federal Registry Notice:
Amendment #5 - 09/04/2017
Datum: North American 1983
Projection: Lambert Conformal Conic

Tax Disaster Relief

Passed Legislation

- H.R. 3823 Disaster Tax Relief and Airport and Airway Extension Act of 2017

Proposed Legislation

- H.R. 3679 National Disaster Tax Relief Act of 2017
 - AICPA Submitted Letter in Support of Title III: “Permanent Disaster Tax Relief Provisions”

Tax Reform?





IRS DISPUTE RESOLUTION

IRS Dispute Resolution



Hearing

- Sept. 13 - House Hearing on “IRS Reform: Resolving Taxpayer Disputes”

Penalty Disputes

- Independent & consistent settlement of penalty disputes

IRS Appeals

- Limiting attendance of appeals conferences
- Face-to-face conferences
- Delegated settlement authority to appeals team case leaders



CENTRALIZED PARTNERSHIP AUDIT REGIME

Centralized Partnership Audit Regime

AICPA Testified at IRS Hearing on Centralized Partnership Audit Regime Proposed Regs.

- Simplify adjustments to partners' capital accounts and basis
- Allow push-out election for tiered partnership structures
- Allow access to IRS Office of Appeals
- Change partnership representative designation and replacement procedures





AFFORDABLE CARE ACT REPEAL & REPLACEMENT

Affordable Care Act Repeal & Replacement

Where We've Been – House

- The American Healthcare Act of 2017

Where We've Been – Senate

- Better Care Reconciliation Act of 2017
- Obamacare Repeal Reconciliation Act of 2017
- Healthcare Freedom Act of 2017
- Graham-Cassidy Amendment

Where Do We Go From Here?





HOT TOPICS

Hot Topics

Virtual
Currency

Crowd Funding

Delayed
Form 1099

Jobs for
the 21st
Century

Authentication for
E-Services

E-Services for
Practitioners

QUESTIONS

A nighttime photograph of the Lincoln Memorial and the Washington Monument in Washington, D.C. The Lincoln Memorial is illuminated with warm yellow lights, and the Washington Monument is also lit up. The lights reflect on the water in the foreground. A stone bridge with arches is visible on the right side of the image.

<http://www.aicpa.org/Advocacy/Tax/Pages/default.aspx>

<http://www.aicpa.org/Advocacy/Tax/Pages/2017TaxAdvocacyCommentLetters.aspx>



Thank you