

GROWERTALKS

GT in Brief

2/28/2017

Tax Reform: Will it Happen This Year?

Society of American Florists

Tax Reform: Will it Happen This Year?

Is there really a chance for comprehensive tax reform this year? Yes, it's possible for the first time in a decade, but not necessarily probable.

Let's look at the situation as we know it now, remembering that this is preliminary and may change during the ongoing debate.

First, what is comprehensive tax reform? Comprehensive tax reform means that corporate, international and individual taxes, as well as taxes on pass-through entities, would all be modified (simplified?) at the same time—together, comprehensively.

What's unique about the timing? There's a real pent-up demand on the part of Republicans to simplify the tax code, make it more pro-growth and reduce tax rates. Their plan is to tackle tax reform using the budget reconciliation process with the 2018 budget that's expected to be released sometime late this summer.

Using the budget reconciliation process allows tax reform to be passed in the Senate with just 51 votes because debate on reconciliation bills is limited, erasing the potential for a filibuster, which takes 60 votes to break. In theory, but not necessarily in practice, it should be relatively easy for the Republicans to get tax reform through the House, the Senate (because of reconciliation) and to get the President to sign a bill.

But what could stop tax reform? What could stop tax reform this year is Congress running out of time. Congress may not have the bandwidth it needs for tax reform if it spends the entire year figuring out a replacement for the Affordable Care Act (ACA), how to deal with the wall on our southern border and immigration, what to do with infrastructure, and confirming a Supreme Court justice, among other issues.

Many of these issues, other than tax reform, will require 60 votes in the Senate to get passed, which means that any bill getting through the Senate must be acceptable to a number of Democratic Senators in addition to most, if not all, of the Republican Senators.

What's likely to happen to individual taxes? Based on the House Republicans' Tax Reform "Blueprint" and President Trump's plan (which are about 80% the same), this is what individual taxes look like at the moment:

There will be three lower personal tax rates:

- 0% to 12% for married couples filing jointly with taxable income below \$75,000
- 25% for married couples filing jointly with taxable income between \$75,000 and \$225,000
- 33% for married couples filing jointly with taxable income above \$225,000

The thresholds are half the above amounts for single taxpayers and the head of household rates are eliminated.

- The standard deduction will be increased. The standard deduction would be increased to \$24,000 for a joint filer, \$18,000 for a single taxpayer with a child and \$12,000 for a single filer under the House Blueprint. Trump's plan would be a bit higher—\$30,000 for a joint filer and \$15,000 for a single filer.
- Personal exemptions will be eliminated.
- Trump's plan would cap itemized deductions at \$200,000 for joint filers and \$100,000 for single filers. The Blueprint would not cap itemized deductions.
- Reduced rates for capital gains, dividends and interest income. Under the House Blueprint, the tax rates for net capital gains, dividends and interest income will be cut in half—so subject to a tax rate of 6%, 12.5% or 16.5%, depending on the tax bracket. Trump's plan states that it would not change the current capital gains rates.
- The Alternative Minimum Tax (AMT) would be eliminated.
- The 3.8% net investment income tax, which was enacted to help pay for the Affordable Care Act, would be eliminated.
- Estate tax and generation skipping transfer tax would be repealed. Neither the Blueprint nor Trump's plan mentions whether the gift tax would also be repealed. It's also not clear whether a new "death capital gains tax" would be imposed under the House Blueprint. Under Trump's plan, it appears that a new "death capital gains tax" would be imposed, but not on the first \$10,000,000 of capital gains. This seems like a high enough number to protect many small businesses, but, based on what has happened in the past, that number over time could be reduced to raise revenue.
- The mortgage interest and the charitable contribution deduction would be preserved for those itemizing deductions under the House Blueprint.

House Small Business Committee Hears SAF Priorities

SAF in early February discussed legislative priorities of the floriculture industry with members of the House Small Business Committee at an informal "meet and greet" on Capitol Hill.

These invitation-only events provide SAF an opportunity to establish relationships with members of Congress and look at ways to align industry priorities with those of the Committee.

Chaired by Rep. Steve Chabot (R-OH), the committee seeks to protect and assist small businesses. It has jurisdiction over matters related to aid to small business, regulatory flexibility and paperwork reduction and has oversight over the Small Business Administration (SBA) and its programs.

Priorities for the Committee in the 115th Congress include tax simplification, regulatory reform and access to capital.

SAF Signs Letter of Support for Sonny Perdue

In early February, SAF joined more than 600 associations and companies who signed on to a letter supporting former Georgia Governor Sonny Perdue's confirmation as Secretary of Agriculture.

Gov. Perdue grew up on a diversified row crop and dairy operation in central Georgia. If confirmed, he will be only the third agriculture secretary to have lived and worked in agriculture throughout his life. Gov. Perdue was also a practicing veterinarian and served in the Air Force.

SAF has a long history of support for and interaction with agriculture secretaries and the many departments and federal programs within the U.S. Department of Agriculture (USDA) that affect the floral industry. **GT**

"SAF in the Lobby" is produced by the Society of American Florists, www.safnow.org. For more information on legislative issues, contact the Government Relations Department.