GROWERTALKS

SAF in the Lobby

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Tax Reform Simmering

The Society of American Florists

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Tax reform is one of the signature issues in the Trump administration, but questions abound about what direction it will take and whether or not reform can be a reality this year.

The proposed border adjustment tax (BAT), a key element of the Republican blueprint for tax reform, faces strong headwinds as business leaders, members of the Trump administration and the president himself express concerns.

These concerns are a serious blow to the BAT proposal, which needs GOP and White House support if there's any chance for it to be included in a tax bill.

On May 23, the House Ways & Means Committee held a hearing on tax reform that became an open debate on the BAT.

Given the partisan divide in Washington, it's clear Democrats would be opposed to the Republican proposal. However, it isn't just Democrats that have expressed concerns with the BAT—several Republicans, including some on the House tax writing committee, are openly critical as well.

And several key Senators have expressed their opposition to the BAT even before any legislation has been sent to them by the House.

The BAT is critical to the Blueprint's goal of simplifying the tax code and reducing tax rates because it will raise federal tax revenue to offset tax revenue reductions caused by those lower rates.

During SAF's Congressional Action Days in March, attendees lobbied against the BAT in its present form. Specifically, the message to Capitol Hill was one of support for comprehensive tax reform by simplifying the tax code and reducing rates, but also to exclude imported floral agricultural products from a border adjustment tax.

Although House Speaker Paul Ryan (R-WI) and Ways & Means Chairman Kevin Brady (R-TX) continue to express their strong support of BAT, increasing divisions between Republican members of Congress mean the provision may be scrapped, forcing an entirely new approach to tax reform.

While the border adjustment tax is a major flashpoint in the debate over tax reform, there's another provision in the House Blueprint that's almost as controversial and has similarly divided the business community.

Under the House Republican tax plan, deductibility of corporate interest debt would be eliminated. In exchange, companies could fully deduct their capital expenses immediately instead of depreciating over time.

To understand this "either/or" debate, remember that House Republicans would like to make tax reform "revenue neutral," meaning that any tax revenue lost to the government by tax reform provisions would be offset by additional revenue from other provisions.

The Congressional Budget Office (CBO) determines whether legislation is revenue neutral or not by "scoring" all of a bill's provisions.

Because many companies' business models use debt financing to help grow their business and manage day-to-day operations, there's a great deal of opposition to eliminating interest deductibility.

Because Republicans' main goal in reforming the tax code is to spur the economy and make the U.S. more competitive globally, they want to dramatically reduce tax rates. Reducing those rates will cost the government trillions of dollars in tax revenue, and in order to pay for those rate reductions, revenue must be raised someplace else.

The CBO estimates that eliminating interest deduction would increase federal revenues by $1.2 trillion over a decade, making it the highest revenue-raiser in the House Blueprint, slightly more than the border adjustment tax. That massive amount of revenue not only offsets the full expensing provision, it also offsets much of the tax rate reductions included in the proposal.

Given the magnitude of those cost shifts, it's no wonder that a lot of interest exists in keeping the status quo—or at least specific parts of it.

The tax outlook?
Republican leaders in the House and Senate who were enthusiastically predicting sweeping tax reform by summer of 2017 are now talking of tax cuts during "this Congress."

The House Ways & Means Committee held a hearing on May 18, 2017 to examine the need for tax reform. Executives from various companies throughout the country shared their experience and perspectives in dealing with the current tax system and what they believe would promote economic growth.

External factors also are having a significant impact on legislative activity. A new crisis seems to grip Washington every day. Time will tell if lawmakers can keep focused on the significant effort required to pass tax reform.

White House Budget Could Cut FNRI Funding by 50+%
President Trump's new proposed FY 2018 budget would reduce federal funding for the Floriculture and Nursery Research Initiative (FNRI) by more than 50%—a decrease that could pose significant challenges to the long-running program.

In March, during SAF's Congressional Action Days, floral industry members advocated for increased funding for

FNRI, a program administered by SAF and AmericanHort and designed to obtain and guide federal research funding targeted to the needs of the floriculture and nursery industry. Since those meetings on Capitol Hill, 15 congressional offices have submitted appropriations requests to increase program funding, making a strong case for the program.

While the drastic cut would present a major challenge for the program, it's by no means the final word. The president's budget is just a starting point for negotiations, and SAF and AmericanHort will continue working hard to build bipartisan support to maintain and even expand FNRI funding.

The industry has always had to make a strong case in Washington for funding: FNRI was conceived in the mid 1980s and it took more than 10 years of education and lobbying before funding was first appropriated by Congress. Over the last 19 years, research funding through FNRI has included methods to address pest and disease management, improve flower longevity and quality, and reduce pesticide use, among many other areas. **GT**

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