

M&Y INTERNATIONAL FINANCIAL SERVICES NEWSLETTER



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MAJOR TAX CHANGES EXPECTED UNDER TRUMP ADMINISTRATION

One month after the presidential election, taxpayers are learning more about President-elect Donald Trump's tax proposals for his administration. Although exact details, including legislative language, are likely months away, taxpayers have a snapshot of the president-elect's tax proposals for individuals and businesses.

Note. At the time this article was prepared, the primary descriptions of President-elect Trump's tax proposals are on his campaign and transition websites. The materials on these websites are not the same as legislation, which would amend the Tax Code. Rather, they discuss the President-elect's tax proposals in very general and broad language.

“Please contact our office if you have any questions about these or any other tax proposals. Our office will keep you posted of developments.”

Tax reform

Tax reform has been a regular topic in recent years. While numerous tax reform proposals were unveiled during the Obama administration, an overhaul of the Tax Code remained elusive. President Obama released a tax reform framework that called for a reduction in the corporate tax rate in exchange for the elimination of some energy tax preferences and other unspecified business tax preferences. Former House Ways and Means Chair Dave Camp, R-Mich., made a detailed tax reform proposal several years ago. Many members of Congress have also introduced tax reform bills. The election of Trump, along with GOP majorities in the House and Senate, is expected to give momentum to tax reform in 2017.

Proposals

During the campaign, President-elect Trump described a number of tax reform proposals, including (not an exhaustive list):

- Reduce the number of individual income tax rates from seven to three with rates at 12, 25 and 33 percent
- Eliminate the alternative minimum tax (AMT) for individuals and businesses
- Create new Dependent CARE Savings accounts
- Provide “spending rebates” for lower-income taxpayers for childcare expenses through the earned income tax credit (EITC)

- Increase standard deduction to \$15,000 for single individuals and \$30,000 for married couples filing a joint return
- Enhance Code Sec. 179 small business expensing
- Reduce the top corporate tax rate to 15 percent
- Tax carried interest as ordinary income
- Eliminate head of household filing status
- Cap itemized deductions for higher-income taxpayers

Affordable Care Act

The Affordable Care Act (ACA) includes a number of taxes, such as the excise tax on medical devices and the excise tax on high-dollar health insurance plans (often called the “Cadillac plan” tax), the net investment income (NII) tax, and the additional Medicare tax. The ACA also created new health-related tax incentives, including the Code Sec. 36B premium assistance tax credit and the Code Sec. 45R small employer health insurance tax credit.

During the campaign, President-elect Trump proposed to repeal the ACA. Post-election, it appears that the president-elect is open to retaining some of the ACA. The president-elect has mentioned coverage for children under age 26 as one provision of the ACA that he views favorably.

Congress

The 115th Congress will convene in January. Republicans have majorities in the House and Senate. Being the majority means that Republicans will chair the tax writing committees in the 115th Congress: the House Ways and Means Committee and the Senate Finance Committee.

Looking to 2017, tax reform legislation will likely have its start in the House Ways and Means Committee. In the House, Republicans have already unveiled a tax reform blueprint. There are similarities between the House GOP blueprint and President-elect Trump’s tax proposals. For example, both call for reducing the federal income tax rates for individuals along with lowering the corporate tax rate.