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Tax policy decisions ahead

Impact of the 2016 elections

November 10, 2016

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Introduction

On November 8, the nation elected Donald Trump as its forty-fifth president and in so doing handed him significant authority over federal tax law and regulations. The election of a new president typically ushers in the prospect of significant policy changes and along with it an awareness of the complexity involved as proposals are released, debated, modified, and, in some cases, enacted. From the standpoint of tax policy, however, it is unclear whether the tax code changes that Trump has envisioned will be enacted into law in their current form.

This lack of clarity could be due in part to the fact that in the months leading up to the election tax policy never really emerged as a top-tier issue on the campaign trail or in the general media.

To be sure, Trump and his Democratic challenger Hillary Clinton acknowledged the importance of tax policy and each developed proposals to show how they hoped to reshape the tax code in their respective administrations. But Trump, like Clinton, generally addressed tax issues only in broad strokes. The proposals he discussed in his speeches and position papers in many cases lack technical details to explain how specific provisions would operate, and we may not see any fully fleshed-out proposals until his administration sends its first tax-and-spending plan to Congress in 2017.

A familiar playbook

Based on the public statements Trump has made regarding tax policy, two things seem apparent. First, he appears intent on changing the nation's tax laws by working within the confines of the current income tax system rather than attempting to move toward a consumption-based tax or other alternative system.

Second, the changes he is likely to propose once in office largely reflect the Republican Party orthodoxy of lowering tax rates for business and individual taxpayers while simultaneously broadening the base through limiting—or in some cases eliminating—some longstanding tax deductions, credits, and incentives.

In some ways, Trump's tax policy platform is a work in progress. He released his original tax reform plan in September 2015, well before he had won the GOP nomination. That plan was criticized by Democrats, as well as some Republicans, for being too costly—the nonpartisan Tax Policy Center estimated the plan could lose nearly $10 trillion in revenue over the next decade—and for targeting its tax reductions primarily at upper-income households. More recently, he has attempted to recalibrate his plan in an effort to make it less costly and target its benefits on the individual side more toward the middle class.

A GOP House and Senate

Trump's goal of reforming the tax code likely will be made easier by the fact that Republicans will control the House of Representatives and the Senate in 2017. But the president-elect and Republican congressional leaders do not necessarily walk in lockstep on all issues related to tax reform. House Republicans unveiled a tax reform "blueprint" in June of this year, which they intend to develop into a formal legislative proposal that they hope to move through the chamber next year. Although Trump's plan and the blueprint overlap in some key areas—such as individual tax rates—they differ in others.

Moreover, the GOP will have smaller majorities in both chambers in the incoming 115th Congress than it currently enjoys. In the Senate, Republicans remain well short of 60-vote threshold needed to avoid the threat of a Democratic filibuster and advance controversial legislation. (See the table on this page for an overview of how party control of the two chambers in the new Congress compares to the ratios in place today.) If Trump and Republican lawmakers come to an accord on tax reform, they conceivably could take advantage of the "budget reconciliation" process to sidestep Democratic opposition. But that option involves some very real policy and procedural challenges. If Republicans opt not to use reconciliation, they likely would need to work with Senate Democrats to ensure that legislation can move through that chamber. (See the chapter on "The politics of policymaking" for a more detailed discussion of this issue.)

Who's in charge on Capitol Hill?

Party	House	Senate
Incoming (115th) Congress[1]		
Republicans	238	51
Democrats[2]	193	48
Undeclared races	4	1
Current (114th) Congress		
Republicans	246	54
Democrats[2]	186	46
Vacancies	3	0

[1] Party headcount for 115th Congress based on House and Senate races with a declared winner (as reported by Real Clear Politics) as of the date of this publication.

[2] Senate Democratic headcount in 114th and 115th Congress includes two Independents who caucus with the Democrats.

Decisions ahead

The discussion that follows looks at where President-elect Trump stands on key policy issues related to corporate and individual taxes based on the positions he has articulated in his public statements and on his campaign website, as well as details published by the Tax Policy Center and the Tax Foundation – two nonpartisan think tanks – based on information from campaign officials. It also looks beyond Trump's campaign platform to consider how the make-up of Congress in 2017 could affect his ability to get his tax agenda enacted into law.

A series of quick reference tables at the end of the publication compares some of Trump's more notable business and individual tax proposals with current law and provisions in the House Republican tax reform blueprint. (The blueprint is likely to be the House GOP's starting point on any serious tax negotiations.) Other tables highlight upcoming vacancies on the two congressional taxwriting committees and review the results of the Senate races that determined control of that chamber in the 115th Congress.

Business taxes

In August of this year, when he delivered his first economic address as the GOP presidential nominee, Trump told the Detroit Economic Club that the current US tax laws "punish companies for making products in America" and promised that his administration would promote tax policies—centered on lower rates and simplification—that he characterized as "geared towards keeping jobs and wealth inside the United States."

Corporate and business passthrough rates

Trump has consistently called for reducing the top corporate tax rate from its current level of 35 percent to 15 percent—below the top corporate rate of 20 percent proposed in the House Republican tax reform blueprint.

Trump's position on the treatment of business passthrough income has changed over the course of the campaign, however. The original tax plan he released in 2015 proposed to reduce the top rate on passthrough business income to 15 percent—well below the current-law top rate of 39.6 percent and the proposed 25 percent top rate that would later be included in the House GOP blueprint.

A 15 percent rate for passthroughs?: The first sign of a shift in the candidate's position came in September of this year when a fact sheet released by the campaign in conjunction with a speech Trump gave at the Economic Club of New York reaffirmed his commitment to reducing the corporate tax rate to 15 percent but was silent on whether there would be a rate reduction of any kind for passthrough businesses. An updated fact sheet released shortly after the speech affirmatively stated that the 15 percent rate would be "available to all businesses, both small and large, that want to retain the profits within the business" (language that remained on Trump's campaign website as this publication went to press). That clarification, however, has sparked a debate among commentators over how to interpret the phrase "that want to retain the profits within the business."

A Trump policy advisor subsequently sought to clarify the candidate's position in comments to the press, stating that Trump's proposal would in fact allow passthrough entities to elect to be taxed as if they were corporations, thus letting them benefit from the lower business rate. However, owners of passthrough entities that make such an election would also be subject to a second layer of tax on distributions from the business— just as shareholders generally must pay tax on corporate dividends. (Under Trump's plan, dividends would be taxed at a top rate of 20 percent, and the 3.8 percent net investment income tax would be repealed.)

Certain small passthrough entities reportedly would be exempt from the second layer of tax, but the campaign has not elaborated on where that threshold would be set and by what measure (for example, assets, gross income, etc.). The Trump campaign has indicated that those details would be worked out with Congress after the election.

These aspects of the proposal continue to generate questions within the tax policy community; however, the campaign to date has not provided additional clarifications.

Anti-abuse rules: According to campaign staff, Trump's administration will work with Congress to develop anti-abuse rules to prevent passthrough business owners from attempting to recharacterize wage income—subject to a top rate of 33 percent under his plan—as more lightly taxed business income. As a point of comparison, the House Republican blueprint—which similarly calls for divorcing the rate on passthrough business income from the top individual rate—states in general terms that passthrough entities would pay or be treated as having paid reasonable compensation to their owner-operators, which would be deductible by the business and subject to tax at the graduated rates for families and individuals. (The blueprint does not elaborate on what would be considered "reasonable compensation.")

Expensing of assets, deductibility of business interest

Trump's stance on the issues of business expensing and the deductibility of business interest also has evolved over the course of the campaign. His original tax reform plan from 2015 did not propose to allow full expensing of capital investments in year one. At the same time, that plan proposed to phase in a "reasonable cap" on the deductibility of business interest.

In his speech at the Detroit Economic Club in August, however, Trump announced that he did, in fact, support full expensing – thus aligning himself with a policy that is becoming increasingly popular among congressional Republicans and is included in the House GOP blueprint. The campaign provided more specificity around these issues in a fact sheet that accompanied his speech to the Economic Club of New York which stated that only firms engaged in US manufacturing could elect to deduct the full cost of their capital investments in year one (a narrower proposal than the House GOP blueprint, which does not limit the proposal to a particular industry); however, businesses that make the expensing election would lose their ability to deduct interest expense. According to Trump's campaign website, the election would be revocable within the first three years. The fact sheet is unclear on what activities would qualify as US manufacturing for purposes of full expensing.

Under the House Republican blueprint, interest expense would be deductible against interest income, but there would be no current deduction for net interest expense; however, net interest expense could be carried forward indefinitely and deducted against net interest income in future years.

Corporate AMT

Trump's plan, like the House GOP blueprint, calls for repealing the corporate alternative minimum tax. Neither Trump's plan nor the blueprint takes a position on the treatment of AMT credits accumulated prior to repeal, however.

Carried interest income

Trump has consistently called for taxing income from carried interests as ordinary rather than capital gain. (Ordinary income would be subject to a top rate of 33 percent under Trump's plan. See the following chapter for additional details on Trump's proposed rate brackets for ordinary income.)

Because his plan appears to allow for some passthrough business income to be taxed at just 15 percent, however, some commentators have suggested that recipients of carried interests might attempt to restructure these arrangements to classify the income as business income, resulting in a lower total tax rate than the 23.8 percent long-term capital gains rate they pay on carried interest today. As already noted, Trump and his advisors have stated that his administration would work with Congress to propose anti-abuse rules, but they have so far offered no specifics on what form those rules might take.

The House GOP blueprint does not propose changes to the tax treatment of carried interests, so presumably they would continue to be taxed as capital gains; however, the top effective rate on long-term capital gain income under the blueprint would be reduced to 16.5 percent from 23.8 percent under current law. (See following chapter for additional details.)

Affordable Care Act taxes

Trump has called for repealing the Patient Protection and Affordable Care Act (PPACA), and, presumably, the individual and business taxes enacted under that legislation. Among the business taxes expected to be eliminated are:

- The 2.3 percent excise tax on covered medical devices, which was suspended for 2016 and 2017 (after originally becoming effective in 2013) and is now scheduled to take effect again in 2018 and
- The so-called "Cadillac" tax on high-cost employer-provided health plans, which, after being delayed for two years, is currently set to take effect in 2020.

(See the following chapter for details on individual PPACA taxes that would be repealed under Trump's plan.)

The House Republican blueprint likewise calls for full repeal of the PPACA and related taxes.

Largest corporate tax expenditures: 2015

Provision	Estimated 1-Year Cost ($ billion)
Deferral of active controlled foreign corporation income	99.3
Section 199 deduction	11.7
Deferral on like-kind exchanges	11.0
Exclusion for municipal bond interest	9.7
Low-income housing tax credit	7.3
Deferral of gain on installment sales	6.9
Section 179 expensing	4.8
Expensing of research and development expenditures	4.7
Reduced tax on corporate income below $10 million	4.0
Special treatment of life insurance company reserves	2.9
Accelerated depreciation	-20.0*

*Accelerated depreciation is a negative expenditure (brings in revenue) in the short term but a revenue loss in the longer term.

Source: Joint Committee on Taxation publication JCX-141R-15, “Estimates Of Federal Tax Expenditures For Fiscal Years 2015-2019,” Dec. 7, 2015.

Business tax expenditures: Research credit in, most others out

Through much of his campaign, Trump broadly proposed to reduce or eliminate certain “special interest” corporate tax preferences as well as preferences that would be made “unnecessary or redundant” as a result of his proposed reduction in the tax rate on business income. His campaign provided a bit more specificity on this front in September, when it clarified that as president, Trump would call for the repeal of “most corporate tax expenditures” ***except for*** the research credit.

The House GOP blueprint likewise includes a general call for eliminating most current-law business deductions, credits, and incentives, although it does propose to keep at least a few, including the research credit.

Although neither the Trump plan nor the blueprint identifies a specific list of expenditures that could be repealed as part of a rate-lowering business tax reform effort, the table above lists some of the more high-cost corporate expenditures, as identified by the Joint Committee on Taxation (JCT) staff, that policymakers sometimes discuss as potential candidates for elimination.

Infrastructure

Although he has called for repealing most corporate tax incentives, Trump stated during a speech in Gettysburg, Pa., on October 22 that as part of his "First 100 Days" agenda he would introduce revenue-neutral legislation that “leverages public-private partnerships, and private investments through tax incentives, to spur $1 trillion in infrastructure investment over 10 years.” The campaign has not thus far provided details on how that proposal would operate.

Incentives for employer-provided child care

Another proposed new business tax expenditure would expand existing incentives for employers to provide on-site employee child care. The proposal was added to Trump’s campaign platform in September as part of an effort to provide more support to middle-class families. (See the following chapter for additional discussion on his proposed family tax credits.)

Under current law, employers are eligible for a tax credit equal to 25 percent of qualified expenses for providing on-site employee child care and 10 percent of qualified expenses for child care resource and referral services, up to a maximum of $150,000 per year. A portion of credits taken for the expenses of acquiring, constructing, rehabilitating, or expanding a qualified child care facility is subject to recapture if the facility is closed within the first 10 years after being placed in service.

According to his campaign website, Trump proposes to increase the cap on qualified expenses and shorten the recapture period, but no details on the new parameters are provided. The campaign has also indicated—without elaboration—that Trump intends to “devise ways for companies to pool resources in order to make the credit more attractive.”

International tax rules

Trump's discussion of international tax issues during the campaign focused largely on his call for a one-time deemed repatriation of accumulated deferred foreign income at a 10 percent tax rate.

By contrast, the House GOP blueprint, like the tax reform proposal offered in 2014 by then-Ways and Means Committee Chairman Dave Camp, R-Mich., advocates a one-time deemed repatriation with differential rates for cash (8.75 percent) and noncash assets (3.5 percent), which could be paid ratably over eight years at the taxpayer's election. (Trump's plan does not specify any such election, nor does it tie deemed repatriation to infrastructure funding, a policy pairing found in several recent reform plans, including Camp's.)

Position on worldwide v. territorial regime unclear: The latest iterations of Trump's tax proposals – released in August and September – do not address the broader issue of how to tax active foreign-source income of US multinationals. The proposal Trump outlined in 2015 called for retaining the worldwide tax regime and the foreign tax credit while eliminating deferral of US tax on active foreign-source income (a policy his campaign contended would be made less onerous by his proposed 15 percent business rate), but it is unclear based on subsequently published campaign materials and statements by the candidate and his advisors if this is still his position.

Tax reform plans emerging from Capitol Hill in recent years are headed in a distinctly different direction: the House GOP blueprint, for example, calls for adopting a border-adjustable territorial tax system with a 100 percent participation exemption for foreign dividends; former Ways and Means Chairman Camp's 2014 proposal called for moving toward a territorial system with a 95 percent participation exemption; and the recommendations of the 2015 bipartisan Senate Finance Committee working group on business tax reform, co-chaired by Sens. Rob Portman, R-Ohio, and Charles Schumer, D-N.Y., called for a territorial system and a participation exemption at an unspecified percentage. (It is worth noting that in a closely divided Senate, some key Democrats are likely to push for keeping the worldwide tax system and repealing deferral. See the chapter on "The politics of policymaking" for additional discussion.)

No specific anti-inversion rules: Throughout the campaign, Trump argued that lowering the US tax rate on business income to a level that is more competitive internationally would curtail corporate inversions by removing a major incentive for domestic businesses to relocate overseas. To date he has not offered specific proposals to strengthen current-law rules to prevent inversions or guard against base erosion. Such proposals were included in the Camp tax reform legislation and outlined in the Portman-Schumer business tax reform discussion draft. The architects of the House GOP tax reform blueprint contend that their proposed border-adjustable cash flow tax would obviate the benefits of inversion transactions so such base erosion provisions are seen as unnecessary.

Individual taxes

Like his business tax plan, Trump's proposals for individuals include significant tax relief—in the form of rate cuts, some new proposed incentives, and the repeal of some existing taxes—coupled with proposed base-broadening measures.

Ordinary income rates and brackets

Throughout the campaign, Trump called for compressing the number of individual income tax brackets from seven under current law to three and for reducing the top rate from its current-law level of 39.6 percent. His original 2015 tax plan called for brackets of 10 percent, 20 percent, and 25 percent. In his speech at the Detroit Economic Club this August, Trump modified his position and called for rate brackets of 12 percent, 25 percent, and 33 percent, as proposed in the House GOP blueprint.

The campaign added more detail to this proposal in September, when it announced that for married taxpayers filing jointly, the 12 percent bracket would apply to taxable income up to $75,000, the 25 percent bracket would apply to taxable income between $75,000 and $225,000, and the 33 percent bracket would apply to taxable income over $225,000. For single filers, the bracket thresholds would be half of these amounts. Based on the entry points for these brackets, certain taxpayers could find their ordinary income taxed at a higher rate under Trump's plan than under current law. (See the table on page 25 for details on how Trump's proposed rates and brackets for ordinary income compare to current law.)

The GOP tax reform blueprint does not specify income thresholds for its proposed rate brackets.

Medicare Hospital Insurance tax repealed: As already noted, Trump has called for repealing the Patient Protection and Affordable Care Act. As a result, the current-law 0.9 percent Medicare Hospital Insurance tax on individuals with income over $200,000 and joint filers with income over $250,000 would be repealed.

Capital gain and dividend income tax

Trump's plan would retain the current-law rate preferential rate structure for income from long-term capital gains and qualified dividends. According to the details posted on Trump's website, the three rate brackets for long-term capital gains would correspond with his proposed brackets for ordinary income. Thus, taxpayers in the 12 percent ordinary income tax bracket would pay no tax on their realized capital gains; taxpayers in the 25 percent income tax bracket would face a capital gains rate of 15 percent; and taxpayers in the 33 percent income tax bracket would pay capital gains tax at the top rate of 20 percent. Based on the entry points for these brackets, certain taxpayers could find their capital gain and qualified dividend income taxed at a higher rate under Trump's plan than under current law. (See the table on page 26 for details.)

The House GOP blueprint calls for taxing long-term capital gains, qualified dividends, and interest as ordinary income, but subject to a 50 percent exclusion, which would result in a maximum effective tax rate of 16.5 percent.

Net investment income tax repealed: Under both the Trump plan and the House GOP blueprint, the current-law 3.8 percent net investment income tax on individuals with income over $200,000 and joint filers with income over $250,000 would be repealed.

Itemized deductions

Throughout the campaign, Trump has called for limiting or repealing many itemized tax deductions to help offset the cost of his proposed reductions in individual tax rates. His initial proposal, announced as part of his 2015 tax plan, called for phasing out most itemized deductions and tightening the so-called "Pease" limitation while retaining the deductions for mortgage interest and charitable giving in their current form. But he modified his position in September, proposing instead to cap itemized deductions at $200,000 for joint filers and $100,000 for single filers.

The House GOP blueprint calls for retaining the deductions for mortgage interest and charitable giving and modifying the incentives to save for retirement and higher education but repealing most others.

Standard deduction

Trump has consistently called for a significant expansion in the standard deduction to simplify the tax code and reduce the number of taxpayers who have to itemize. His original (2015) plan proposed to increase the standard deduction to $50,000 for joint filers and $25,000 for individuals. But he subsequently narrowed that proposal to $30,000 for joint filers and $15,000 for individuals. He also proposed to eliminate personal exemptions and the head-of-household filing status. According to some analysts, the net effect of those changes will be higher taxes for certain middle-class families. The Trump campaign has not acknowledged that but did indicate Congress would be instructed to prevent that outcome.

The House GOP blueprint calls for consolidating the standard deduction and personal exemption into one larger standard deduction of $12,000 for single taxpayers, $18,000 for single taxpayers with a child, and $24,000 for married filers.

AMT

Trump has consistently called for repeal of the individual alternative minimum tax, as does the House GOP blueprint.

Estate tax

Trump also has consistently called for repealing the estate, gift, and generation-skipping transfer taxes. However, in a significant change from the original plan, the campaign announced in September that Trump would tax capital gains on appreciated assets held at death to the extent such gains exceed $10 million. (It is unclear whether the $10 million threshold would apply per person or per couple.)

Without elaborating, the tax policy platform on Trump's website also states that, in order to prevent abuse, "contributions of appreciated assets into a private charity established by the decedent or the decedent's relatives will be disallowed."

The House Republican blueprint calls for repealing the estate tax and generation-skipping transfer tax outright.

Family tax provisions

Also in September, the Trump campaign announced an entirely new set of tax breaks specifically targeting families, including a new above-the line deduction for taxpayers facing child care and elder care expenses, a new tax-preferred savings account to encourage families to set aside funds for caregiving expenses, and, as already noted, expanded incentives for employers who offer on-site child care to their employees.

Deduction for child care/elder care expenses: According to his campaign website, Trump would provide an above-the-line deduction for child care expenses for up to four children per family, from birth to age 13, with the deduction amount capped at "the average cost of child care" based on the child's age and state of residence. The deduction would be available to itemizers and non-itemizers, and would apply to families that use paid child care providers as well as families that rely on a stay-at-home parent or an unpaid relative to meet their child care needs.

The deduction would be limited to couples earning up to $500,000 a year and individuals earning up to $250,000. To assist families with no income tax liability, the proposal calls for a "spending rebate" through the Earned Income Tax Credit that would be capped at "half of the payroll taxes paid by the taxpayer (based on the lower-earning parent in a two-earner household)" and subject to an income limitation of $31,200 for individuals and $62,400 for joint filers.

A similar above-the-line deduction would be available to families who incur expenses for home care or adult day care for an elderly dependent relative. The deduction would be capped at $5,000 a year, indexed annually for inflation.

Dependent Care Savings Accounts: In addition to the new deduction, Trump proposes the creation of tax-preferred Dependent Care Savings Accounts (DCSAs), which according to a campaign fact sheet would allow families to "set aside extra money to foster their children's development and offset elder care for their parents or adult dependents." The fact sheet indicates the accounts would be "available to everyone" and would "allow both tax-deductible contributions and tax-free appreciation year to year."

DCSAs would be established for the benefit of specific individuals. Those established for a minor child – including an unborn child – could "be applied to traditional child care, after-school enrichment programs, and school tuition." Accounts established for an elderly dependent could "cover a variety of services, including in-home nursing and home care."

Contributions to a DCSA would be capped at $2,000 a year from all sources, which according to the campaign would include the parents of a minor child, the individual establishing an elder care account, immediate family members of the account owner, and the employer of the account owner. Rollovers of accumulated account balances would be permitted from year to year. Contributions to a DCSA established for a child would not be permitted once the child reaches age 18; however, any funds remaining in the account when the child reaches 18 could be used to pay for education expenses.

Lower-income parents who open a DCSA for a minor child would receive a government match for 50 percent of the first $1,000 deposited per year. The campaign also notes that parents who qualify for the Earned Income Tax Credit would be able to "check a box [on their tax returns] to directly deposit any portion of their EITC into their Dependent Care Savings Account."

Paid maternity leave: A proposal to provide six weeks of paid maternity leave for new mothers would operate outside of the tax code, with benefits provided through the unemployment insurance program and costs offset through savings within the program (for example, by reducing improper payments).

Incentives for employer-provided child care: Trump also intends to address family tax relief on the corporate side through a proposal to enhance current-law incentives for employers to provide on-site child care for their employees. (See the previous chapter for details.).

Estimated revenue impact

Many of the provisions in President-elect Trump's tax plan—such as his proposal to reduce the tax rate for business passthrough income for electing entities—lack the technical detail needed to produce a precise estimate of their impact on federal revenues.

Based on available details plus a set of assumptions regarding how certain proposals would operate, however, an analysis by the Tax Policy Center indicates that his tax plan would on net decrease federal receipts by an estimated total of $6.15 trillion between 2016 and 2026.

Of that total, some $3.34 trillion comes from individual tax relief proposals, $2.63 trillion from corporate tax relief, and $174 billion from estate tax relief (taking into account the proposal to tax capital gains at death for certain high-value estates).

Among the most costly provisions according to the Tax Policy Center are his proposals to:

- Reduce the corporate tax rate to 15 percent and repeal the corporate AMT (estimated 10-year revenue loss: $2.35 trillion);
- Compress the individual income tax brackets to three, with a top rate of 33 percent (estimated 10-year revenue loss: $1.49 trillion);
- Increase the standard deduction to $30,000 for joint filers and $15,000 for single filers (estimated 10-year revenue loss: $1.69 trillion);
- Reduce the tax rate for business passthrough income for electing entities, with distributions from large passthroughs taxed as dividends (estimated 10-year revenue loss: $894.6 billion, plus an additional $648.9 billion resulting from anticipated shifting of salaries and wages to business income absent new anti-abuse rules); and
- Allow domestic manufacturers an election to expense all investments in year one, but disallow interest deductions for electing entities (estimated 10-year revenue loss: $689.2 trillion).

Notable revenue offsets include proposals to:

- Repeal personal exemptions (estimated 10-year revenue gain: $2 trillion);
- Cap itemized deductions at $200,000 for joint filers and $100,000 for single filers (estimated 10-year revenue gain: $558.6 billion);
- Repeal of most corporate tax expenditures, other than the research credit (estimated 10-year revenue gain: $167 billion); and
- Deemed repatriation of deferred active foreign-source income of US multinationals (estimated 10-year revenue gain: $147.8 billion)

Distribution

The Tax Policy Center projects that Trump's plan would result in an average annual tax reduction of $2,940 (amounting to a 4.1 percent increase in after-tax income) but that wealthier taxpayers would receive greater tax relief both as a flat dollar amount and as a percentage of income. Specifically, the lowest-income households would see an average tax cut of $110 per year (a 0.8 percent increase in after-tax income) and middle-income taxpayers would receive an average tax cut of $1,010 (a 1.8 percent increase in after-tax income). Taxpayers in the top 1 percent, on the other hand, would receive an average tax cut of nearly $214,690, for a 13.5 percent increase in after-tax income.

Static v. 'dynamic' scoring

These revenue estimates are based on a traditional "static" model. Under so-called "dynamic" scoring that takes into account certain macroeconomic feedback effects of the plan on the economy and in turn on federal revenue levels, the Tax Policy Center estimates a slightly smaller 10-year drop in federal receipts of between $5.97 trillion and $6.03 trillion. (The Center analyzed the plan using two dynamic models).

For its part, the Tax Foundation cites a range of estimates under both its static and dynamic models, noting some of the uncertainties around Trump's proposals for taxing business passthrough income. Based on available information, the Tax Foundation estimates the 10-year revenue loss under Trump's plan to be between $4.37 trillion and $5.91 trillion under its static model. That drops to between $2.64 trillion and $3.93 trillion when macroeconomic feedback is factored in.

More precise estimates as budget process moves forward

As the Trump administration develops detailed tax proposals and sends them to Capitol Hill as part of the federal budget process, official revenue estimates will be developed by the Joint Committee on Taxation staff. It is these JCT estimates that will be most relevant should Congress decide to act on Trump's proposals, either in whole or in part.

Exactly when the budget process for fiscal year 2017 will formally kick off is currently unclear. Federal law requires every presidential administration to submit its budget proposal for the coming fiscal year by the first Monday in February, which means the budget for fiscal year 2018 would be due on February 7, 2017. However, that deadline frequently slips – especially in years when a new president takes office. President Bill Clinton, for example, submitted his first budget blueprint (for fiscal 1994) on April 8, 1993; President George W. Bush submitted his first budget (for fiscal 2002) on April 9, 2001, and President Obama submitted his first budget (for fiscal 2010) on May 7, 2009.

The politics of policymaking

At first glance, the fact that Donald Trump is headed to the White House and will be working with a Republican Congress in 2017 would appear to clear a path for possible action on tax reform; nonetheless, some obstacles are likely to remain. Trump's tax plan, which adopts a traditional Republican approach of broadening the base and lowering the rates, may present practical difficulties.

As we've noted, the original version, which was introduced in 2015, has been recalibrated in recent months to address concerns that it would substantially add to the deficit. But his revised plan, based on separate estimates from the Tax Foundation and the Tax Policy Center, still would lead to trillions of dollars in revenue losses over 10 years under both traditional "static" scoring models as well as "dynamic" models that account for the revenue effects of the plan's impact on economic growth. Given that federal receipts over the next decade are projected to total roughly $42 trillion, Trump's plan as it is currently structured would require either a very large reduction in federal spending or a significant increase in the deficit.

Where Republican congressional leaders stand

Of course, tax policy is not written exclusively by the president. Congress will want to have its say; and the truth is that lawmakers do not speak with one voice.

House Republicans: The tax reform blueprint released in June of this year by Speaker Paul Ryan, R-Wis., and Ways and Means Committee Chairman Kevin Brady, R-Texas, is similar to Trump's plan in its calls for significant rate cuts for business and individual taxpayers. But the blueprint differs markedly from Trump's plan in other ways: most notably, the blueprint envisions a transition to a territorial system for taxing foreign-source income of US multinationals (something Trump's original tax plan did not include and which his revised plan does not address), coupled with a destination-based cash flow tax based on jurisdiction of consumption and not production. (For highlights, see the tables beginning on page 17 and page 21.)

The blueprint as released lacks sufficient detail to allow for an accurate revenue score. It probably will not be revenue neutral—under a static estimating model—when it is fully fleshed out; however, it is intended to have relatively little revenue loss when the dynamic effects on tax receipts of faster economic growth are included.

Senate Republicans: In the Senate, Majority Leader Mitch McConnell of Kentucky has not been nearly as strong an advocate of tax reform as House Speaker Ryan, who cites the issue as one of his top priorities.

Finance Committee Chairman Orrin Hatch, R-Utah, supports comprehensive tax reform. With that goal out of reach under President Obama, however, Hatch has spent much of this past year working on an alternative approach: a corporate integration plan that is expected to propose lowering the corporate tax rate by combining a dividends-paid deduction with a withholding tax on dividend and interest payments. The details of the plan—which Hatch may release later this year as a discussion draft—have not yet been made public. Although his Republican colleagues have yet to embrace this approach, Hatch could continue to make the case that his incremental proposal is a meaningful improvement to the tax code and not incompatible with potential broader reform further down the road.

Senate Democrats: Because Republicans did not win a 60-vote supermajority in the Senate, they may need to compromise with Democrats if they want to move significant legislation through the chamber. And the two Democratic lawmakers likely to exert the most influence on tax policy are long-time Finance Committee members Ron Wyden of Oregon and Charles Schumer of New York.

Wyden, the ranking Democrat on the Finance Committee, has urged Congress to act in the short term on the issue of inversions, but he has also been working on a broader vision of tax reform over the last several years. He unveiled a tax reform plan in 2010 and again in 2011 – both times with a Republican co-sponsor – when he was just a Finance Committee "back bencher." This year, Wyden released three targeted tax reform discussion drafts aimed at (1) streamlining depreciation rules to move from asset-by-asset tracking to a simplified "pooling approach"; (2) simplifying the taxation of certain derivative contracts to provide for mark-to-market treatment at the end of each year; and (3) tightening rules related to tax-favored retirement accounts—especially for the wealthy—by, among other things, capping contributions to certain high balance accounts.

For his part, Schumer—who is expected to become the Senate Democratic leader when the new Congress convenes—has been active in the area of business tax reform. (In addition to co-chairing the Finance panel's bipartisan business tax reform working group, he attempted to negotiate a deal with House Speaker Ryan in 2015 for a business tax reform package that included revenue for infrastructure spending.) Moreover, he does not necessarily move in lockstep with Wyden, particularly in the area of international tax reform. Schumer favors a territorial system with strong base erosion safeguards. Wyden, on the other hand, supports moving toward a more "pure" worldwide tax system by repealing deferral on active foreign-source income (a position he shares with liberals like Sens. Bernie Sanders of Vermont and Elizabeth Warren of Massachusetts).

House Democrats: On tax reform, the position of House Democratic leaders generally mirrors that of Democratic presidential candidate Hillary Clinton. Ways and Means Committee ranking Democrat Sander Levin of Michigan, for example, is a vocal supporter of legislation to tighten current-law rules governing inversions and backs increasing taxes on large corporations and wealthier individuals, but he has not developed a comprehensive tax reform plan of his own that would serve as a counterpoint to the House GOP blueprint. Interestingly, House Minority Leader Nancy Pelosi, D-Calif., recently told reporters that there is general agreement for lowering corporate tax rates and closing perceived "loopholes," but she has not taken the lead in building a case for comprehensive tax reform within her caucus, and it is unlikely she would push her members to support broader tax reform as envisioned by either President-elect Trump or House Republicans.

Is budget reconciliation an option?

House Speaker Ryan indicated in the run-up to the election that in the case of a Republican administration, he will look to use the budget reconciliation process to move targeted tax changes—a tactic that would allow Republicans in the 115th Congress to pass certain legislation in the Senate with only 51 votes and without having to worry about winning Democratic cooperation. (This is the same process that Democrats invoked in 2010—when they lacked a filibuster-proof Senate majority—to pass the Patient Protection and Affordable Care Act and that Republicans used in 2001 and 2003 to pass the Bush-era tax cuts.)

However, reconciliation comes with major procedural and policy challenges, so getting tax reform done this way is not a sure thing. To begin with, congressional Republicans would have to agree on a budget resolution— something they were not able to accomplish in 2016—that includes reconciliation instructions on tax reform.

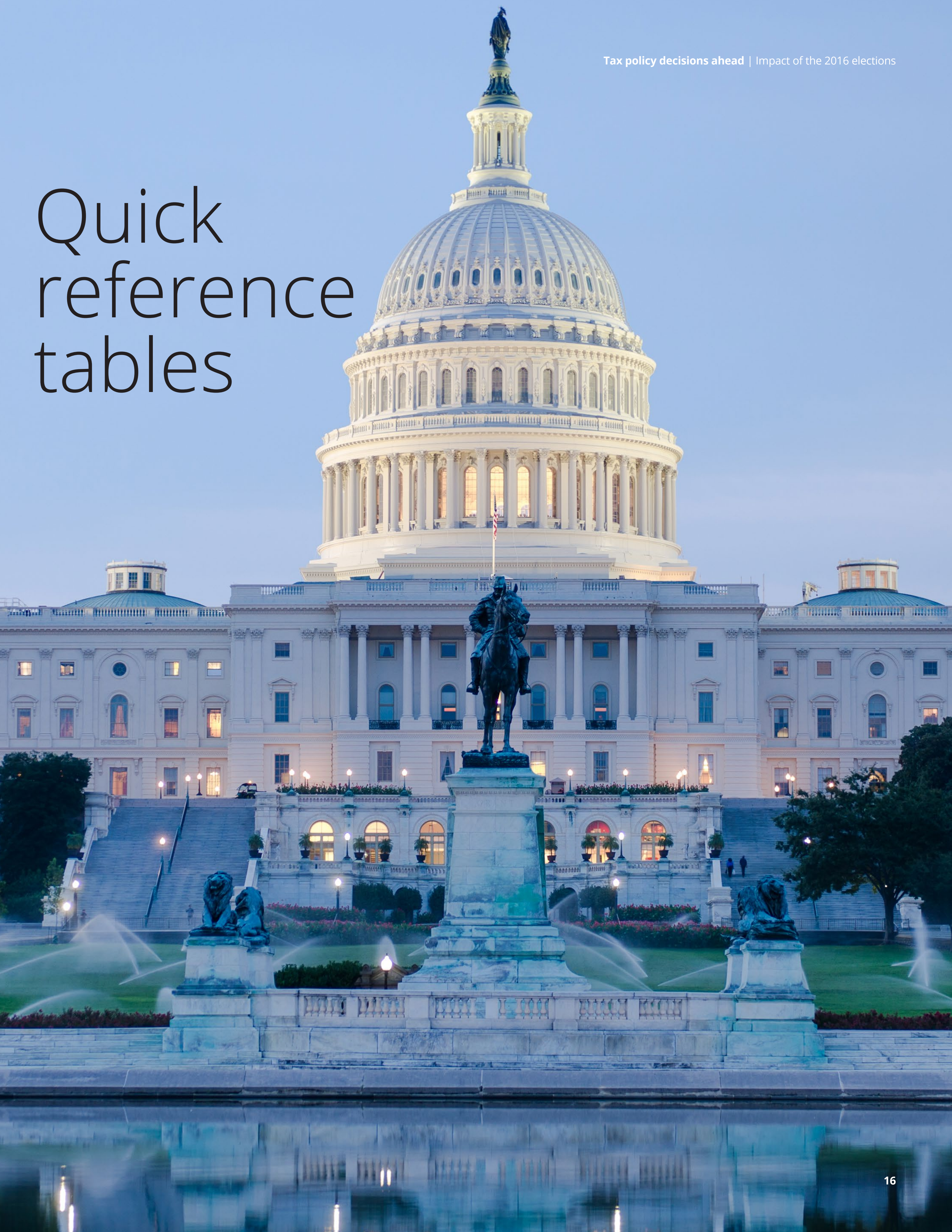
But perhaps the greater challenge arises from the likelihood that a GOP-only tax reform will increase the deficit— that is, it will include more tax cuts than offsetting base broadening. Generally, under current reconciliation rules, bills that are not deficit-neutral after the first decade must sunset in order to avoid a 60-vote threshold for passage in the Senate. This means Republicans could be forced to scale back their vision of reform, enact "temporary" tax reform (something that would be difficult to do from the standpoint of drafting legislative language and transition rules and would likely frustrate individuals and businesses who are affected by the rule changes), or find a procedural avenue around that hurdle. Recall that the 2001 and 2003 tax cuts were enacted under reconciliation, leading to moments of high anxiety for taxpayers between the time those provisions approached their scheduled expiration at the end of 2010 and the time they were finally addressed in a permanent way in the early days of 2013. Those anxieties would be multiplied if it is not just marginal rates but the entire structure of the tax code that is in danger of sunsetting. Despite these concerns, though, reconciliation may be an imperfect alternative that Republicans are willing to pursue, given the difficulty in reaching bipartisan consensus on tax reform.

If reconciliation is out, is compromise possible?

Without using reconciliation, the 60-vote threshold to avoid a Democratic filibuster in the Senate would require some level of bipartisan compromise if any legislation is to be enacted. One question is whether Senate Democrats would find it in their interest to help pursue tax reform or whether they would think themselves better served by blocking key agenda items of the Trump administration and protecting potentially vulnerable Democratic incumbents in the 2018 mid-term elections.

A second question is whether the House Freedom Caucus—a vocal minority within the GOP Conference that in the past has been skeptical of leadership-driven compromises with Democrats—will pressure leadership to avoid bipartisan dealmaking, even if the alternative is gridlock. The Freedom Caucus will be a larger presence in the 115th Congress both in terms of raw numbers and as a share of the GOP's majority in the House, and its influence is likely to play a role as Speaker Ryan contemplates his policy agenda and his own political future.

Quick reference tables



Overview of Trump's tax plan:

Business provisions

The following table highlights the business provisions in Donald Trump's tax plan (which was originally unveiled in 2015 and updated several times this year) and shows how they stack up against current law and the proposals in the House Republican tax reform blueprint released on June 24, 2016.

Proposals marked with an asterisk (*****) were included in the House GOP's health care reform blueprint released on June 22, 2016.

Highlighted **(green)** material indicates discrete proposals from Senate Finance Committee leaders Orrin Hatch, R-Utah, and Ron Wyden, D-Ore., that also could influence the tax policy debate next year.

Selected business provisions

Provision	Current law	Trump	House GOP blueprint
		Domestic provisions	
Top corporate rate	35%	15%	20% **Pending Hatch proposal:** Reduce effective corporate rate through a corporate integration plan that combines a dividends-paid deduction and a withholding tax on dividend and interest payments
Top passthrough rate	39.6%	15% rate on passthrough business income "available to all businesses, both small and large, that want to retain the profits within the business" Trump campaign has explained that: • Passthrough businesses may elect to be taxed at the 15% corporate rate or under the individual side of the code • Large passthroughs electing the 15% rate would be subject to second-level tax on distributions to owners, but small ones would not (no details on threshold for determining when or how second-level tax would apply) • Anti-abuse provisions to prevent taxpayers from misclassifying wage income as business passthrough income to take advantage of 15% rate would be negotiated with Congress	• Top rate of 25% will apply to active business income of sole proprietorships and passthrough entities (partnerships, LLCs, and S corps) • Passthrough entities will pay or be treated as having paid reasonable compensation to their owner-operators, which will be deductible by the business and will be subject to tax at the graduated rates for families and individuals
Carried interest income	Taxed as long-term capital gain	Tax as ordinary income (see overview of individual provisions for details on proposed rates)	No changes to the tax treatment of carried interest are specified, though the top effective rate on long-term capital gain income would be reduced to 16.5% from 23.8% (see overview of individual provisions below for more detail)
AMT	Imposed on a corporation to the extent its tentative minimum tax exceeds its regular tax	Repeal; treatment of accumulated AMT credits not specified	Repeal; treatment of accumulated AMT credits not specified
Derivatives	Taxation of derivatives may vary depending upon the tax treatment of the underlying investment, the type of contract and its holding period, the source country of the transaction, and the characteristics of the taxpayer	No changes specified	No changes specified **Wyden draft proposal:** Require mark-to-market tax treatment for many derivative contracts not entered into to hedge business risks
Research credit	Generally allows either a 20% credit for qualifying research expenses in excess of a base amount, or a 14% alternative simplified credit	Retain research credit, but repeal most other business tax expenditures	Retain credit; Ways and Means Committee will "evaluate options" to make it "more effective and efficient"
Domestic production activities deduction (section 199)	Up to 9% deduction under section 199 for certain income attributable to domestic production activities	Repeal most business tax expenditures ***except for*** the research credit	Repeal
Depreciation	Taxpayers generally recover costs under the Modified Accelerated Cost Recovery System (MACRS) or, at their election, under the straight-line Alternative Depreciation System (ADS)	Firms engaged in US manufacturing may elect to deduct the full cost of their capital investments in year one; option is revocable within first 36 months	Full expensing in year one of all assets, tangible and intangible, other than land **Wyden draft proposal:** Replace current tax depreciation rules with a "pooling" system for most tangible personal property

Provision	Current law	Trump	House GOP blueprint
		Domestic provisions	
Interest expense	Generally deductible	Businesses that elect full expensing in year one (see Depreciation, above) will lose their ability to deduct net interest expense	• Interest expense deductible against interest income, but no current deduction for net interest expense; net interest expense may be carried forward indefinitely and deducted against net interest income in future years • Ways and Means Committee will develop "special rules" with respect to interest expense of financial services companies to "take into account the role of interest income and interest expense in their business models."
Amortization of intangibles	15-year amortization of acquired intangible assets	No changes specified	Full expensing in year one
NOLs	Generally may be carried back two years and carried forward 20 years to offset taxable income in such years; different carryback periods apply with respect to NOLs arising in different circumstances	No changes specified	• Eliminate NOL carryback • Permit indefinite carryforward increased by "an interest factor that compensates for inflation and a real return on capital to maintain the value of amounts that are carried forward" • Deduction capped at 90% of taxable income for the year without regard to the NOL
Accounting methods	• Last-in, first-out (LIFO) and lower of cost or market (LCM) included among permissible inventory accounting methods • Cash method of accounting permissible for certain non-C corp and other entities, subject to an average annual gross receipt limit of $5 million (gross receipt limit does not apply to personal service corporations)	No changes specified	• Retain LIFO; Committee will continue to evaluate ways to make inventory accounting more efficient • No specific discussion of LCM or cash methods
Energy	Provides a variety tax incentives benefitting the fossil fuels industry, alternative energy, and energy efficiency	• Repeal most business tax expenditures ***except for*** the research credit	No specific proposal, although the blueprint suggests that most credits, deductions, and other preferences will be repealed
Treatment of employer-provided health care benefits	Employer-provided health benefits excluded from income and payroll tax	No changes specified	Limit the exclusion for employer-provided health benefits; new refundable credit for individuals without workplace coverage*
Patient Protection and Affordable Care Act (PPACA) taxes	• 2.3% excise tax on covered medical devices (suspended for 2016-2017) • "Cadillac" tax on high-cost health plans (delayed until 2020)	Repeal PPACA	Repeal all PPACA tax increases*
Economic development and infrastructure incentives	• Provisions such as the New Markets Tax Credit and the Work Opportunity Tax Credit are intended to encourage employers to hire workers in high-unemployment areas or from certain targeted groups • Provisions such as tax-preferred Build America Bonds are intended to encourage infrastructure development	• Repeal most business tax expenditures ***except for*** the research credit • Create "a deficit-neutral system" of unspecified infrastructure tax credits to promote private-sector infrastructure investments.	No changes specified

Provision	Current law	Trump	House GOP blueprint
Domestic provisions			
Employer-provided child care incentives (section 45F)	• Employers eligible for a tax credit of 25% of qualified expenses for providing on-site employee child care and 10% of qualified expenses for child care resource and referral services (maximum $150,000 per year) • Portion of credits taken for the expenses of acquiring, constructing, rehabilitating, or expanding a qualified child care facility is subject to recapture if facility is closed within the first 10 years after being placed in service	General call to increase credit cap, shorten recapture period, and "devise ways for companies to pool resources in order to make the credit more attractive"	No changes specified
International provisions			
Regime type	Worldwide with deferral	No changes currently specified (2015 plan called for retaining current-law worldwide regime and the foreign tax credit but repealing deferral)	Territorial system with 100% participation exemption for foreign dividends **Wyden's position:** Although he has not introduced a specific proposal this year, Wyden historically has supported repealing deferral on active foreign-source income to help finance a reduction in the corporate rate
Repatriation	Repatriated foreign-source income taxed at full corporate rate with allowance for foreign tax credits	One-time deemed repatriation of accumulated deferred foreign income at flat 10% tax rate; no discussion of giving companies multiple years to pay	One-time deemed repatriation with differential rates for cash (8.75%) and noncash assets (3.5%), payable over eight years at the taxpayer's election
Prevention of base erosion	Subpart F rules limit deferral for certain mobile and passive foreign income; US interest deductions for inbound firms may be limited by section 163(j)	No changes specified	Eliminate most subpart F rules; retain foreign personal holding company rules for passive income shifting
Border adjustability of tax base	N/A	N/A	Destination-based cash flow tax based on jurisdiction of consumption and not production; thus imposed on value of imports but not on value of exports, similar in concept to "border adjustments" in other countries' Value Added Taxes

Overview of Trump's tax plan:

Individual provisions

The following table highlights the individual provisions in Donald Trump's tax plan and shows how they stack up against current law and the proposals in the House Republican tax reform blueprint released on June 24, 2016.

Proposals marked with an asterisk (*****) were included in the House GOP's health care reform blueprint released on June 22, 2016.

Highlighted (green) material indicates discrete proposals from Senate Finance Committee leaders Orrin Hatch, R-Utah, and Ron Wyden, D-Ore., that also could influence the tax policy debate next year.

Selected individual provisions

Provision	Current law	Trump	House GOP blueprint
Income tax rates	• Seven brackets: 10%, 15%, 25%, 28%, 33%, 35%, and 39.6% • Additional 0.9% Medicare Hospital Insurance tax on individual filers with AGI > $200,000 and joint filers with AGI > $250,000	• Three brackets: 12%, 25%, and 33% • Repeal 0.9% Medicare Hospital Insurance tax	• Three brackets: 12%, 25%, and 33% • Repeal 0.9% Medicare Hospital Insurance tax*
Interest income	Taxed as ordinary income	No changes specified; presumably taxed as ordinary income	Taxed at ordinary rates with 50% exclusion (effective tax rates of 6%, 12.5%, and 16.5%) **Pending Hatch proposal:** Corporate integration plan would continue to exempt interest payments from taxation at the entity level but would impose tax on interest income – including income earned by recipients that are exempt from tax under current law – at the individual level at ordinary income rates
Capital gain and qualified dividend income	• Short-term capital gains (held <1 year) taxed at ordinary income rates • Long-term capital gains (held ≥1 year) taxed at preferential rates, with top rate of 20% • Additional 3.8% net investment income tax applies to individual filers with AGI > $200,000 and joint filers with AGI > $250,000 • Dividends taxed as ordinary income, while qualified dividends are taxed at the preferential capital gains rates	• Retain current-law rates and brackets for capital gain and dividend income • Repeal 3.8% net investment income tax	• Taxed at ordinary rates with 50% exclusion (effective tax rates of 6%, 12.5%, and 16.5%) • Repeal 3.8% net investment income tax* **Pending Hatch proposal:** Corporate integration plan would (1) exempt dividends from taxation at the entity level (likely via a dividends-paid deduction) and (2) impose tax on dividend income – including income earned by recipients that are exempt from tax under current law – at the individual level at ordinary rates
AMT	Imposed on taxpayers who have certain types of income that receive favorable treatment, or who qualify for certain deductions that can significantly reduce the amount of regular income tax; subject to exemption amounts indexed annually for inflation	Repeal; treatment of accumulated AMT credits not specified	Repeal; treatment of accumulated AMT credits not specified
Estate tax	• Top rate: 40% • Exemption: $5.45 million per spouse for 2016 (adjusted annually for inflation) • Additional tax may apply to generation-skipping transfers	• Repeal, but appreciated assets held at death will be subject to capital gains tax to the extent they exceed $10 million • Disallow "contributions of appreciated assets into a private charity established by the decedent or the decedent's relatives"	• Repeal estate tax and generation-skipping tax

Provision	Current law	Trump	House GOP blueprint
Patient Protection and Affordable Care Act (PPACA) taxes	• 0.9% Medicare Hospital Insurance tax on individual filers with AGI > $200,000 and joint filers with AGI > $250,000 • 3.8% net investment income tax on individual filers with AGI > $200,000 and joint filers with AGI > $250,000	Repeal PPACA and the business and individual taxes enacted as part of that legislation	Repeal PPACA and the business and individual taxes enacted as part of that legislation
Treatment of employer-provided health care benefits	Exclude from income and payroll taxes	No changes specified	• Cap exclusion at unspecified threshold* • Provide a refundable credit to allow individuals without access to employer-provided health insurance to purchase insurance in the open market*
Treatment of life insurance contract "inside build-up"	Investment income on premiums credited under a life insurance contract not subject to current taxation; amounts received under a life insurance contract by reason of the death of the insured or with respect to an insured who is terminally ill or chronically ill are excludable from income	Unclear: 2015 tax plan proposed to "[phase] out the tax exemption on life insurance interest for high-income earners" but the issue has not been addressed in subsequent iterations of Trump's tax plan	No changes specified
Mortgage interest deduction	Itemizers may deduct mortgage interest on up to $1 million in acquisition indebtedness and up to $100,000 in home equity indebtedness	Cap itemized deductions at $200,000 for joint filers and $100,000 for single filers	Retain deduction; Ways and Means Committee will "evaluate options" to make the current-law deduction "more effective and efficient," but no future changes will affect existing mortgages or refinancings
Charitable giving deduction	Charitable contributions fully deductible for itemizers	Cap itemized deductions at $200,000 for joint filers and $100,000 for single filers	Retain but "develop options to ensure the tax code continues to encourage donations, while simplifying compliance and record-keeping and making the tax benefit effective and efficient"
State and local tax deduction	Itemizers may deduct state and local income taxes, or general sales taxes in lieu thereof	Cap itemized deductions at $200,000 for joint filers and $100,000 for single filers	Repeal
Standard deduction and personal exemptions; provisions for children and families	• Standard deduction: $6,300 for single individuals, $9,300 for heads of households, $12,600 for joint filers • Additional standard deduction: $1,250 for individuals who are elderly or blind • Personal exemptions for taxpayer, taxpayer's spouse, and any dependents: $4,050 for each personal exemption • Child tax credit: Refundable credit of $1,000 for each qualifying child under age 17, subject to phase-out (Deduction/credit amounts are those in effect for 2016)	• Increase standard deduction to $15,000 for single filers and $30,000 for joint filers • Eliminate personal exemptions and head-of-household filing status • Create new above-the-line tax deductions for child care and elder care expenses • Create new tax-preferred savings accounts to encourage families to set aside funds for child care and elder care expenses	• Consolidate standard deduction and personal exemption into one larger standard deduction of $12,000 for single taxpayers, $18,000 for single taxpayers with a child, and $24,000 for married filers • Consolidate personal exemption for children and child tax credit into a single $1,500 credit, $1,000 of which is refundable
Personal exemption phase-out (PEP) and limitation on itemized deductions (Pease)	PEP and Pease limitations apply for taxpayers with AGI exceeding certain thresholds	No changes currently specified (2015 plan called for "steepening the curve" of PEP and Pease)	Not specified (although the blueprint identifies these provisions as problems with the current tax code)

Provision	Current law	Trump	House GOP blueprint
Higher education incentives	• Four higher education tax benefits – American Opportunity Tax Credit (AOTC), Hope Scholarship Credit, Lifetime Learning Credit, and qualified tuition deduction • Various deductions and exclusions for education assistance programs, interest paid on education loans, qualified tuition and related expenses, discharge of student loan indebtedness • Exception to additional 10% tax for early distributions from retirement plans and Individual Retirement Accounts used to pay for higher education expenses	No changes specified	Blueprint indicates the Ways and Means Committee will seek to streamline the credits, retaining incentives for both college and vocational study
Retirement savings incentives	Individuals may contribute to tax-preferred traditional and Roth IRAs, subject to contribution limits and income phase-outs, and to employer-sponsored plans such as 401(k)s, subject to maximum elective contribution limits	No changes specified	Retain current retirement vehicles; Ways and Means Committee will "work to consolidate and reform the multiple different retirement savings provisions in the current tax code to provide effective and efficient incentives for savings and investment," and also consider creation of new vehicles, such as a Universal Savings Plan **Wyden draft proposal:** Prohibit additional contributions to Roth IRAs with balances over $5 million; eliminate Roth IRA conversions; generally require retirement account assets to be distributed within five years after account holder's death; expand savings opportunities for working families and younger individuals

Trump's proposed individual rate brackets:

Ordinary income

The following table compares the proposed marginal rates on ordinary income under the Trump plan—and the income thresholds at which those rates would apply—with current-law brackets and the inflation-adjusted income thresholds in effect for 2016. The House GOP tax reform blueprint, like the Trump plan, calls for three rate brackets of 12%, 25%, and 33%, but the blueprint does not supply beginning and ending points for the rate brackets and is not included in this comparison.

Trump ordinary rate brackets v. current law

Rate[1]	Single Filers		Married-Joint Filers	
	Current Law	**Trump**	**Current Law**	**Trump**
10%	$0 to $9,275	–	$0 to $18,550	–
12%	–	$0 to $37,500	–	$0 to $75,000
15%	$9,276 to $37,650	–	$18,551 to $75,300	–
25%	$37,651 to $91,150	$37,501 to $112,500	$75,301 to $151,900	$75,001 to $225,000
28%	$91,151 to $190,150	–	$151,901 to $231,450	–
33%	$190,151 to $413,350	$112,501 and above	$231,451 to $413,350	$225,001 and above
35%	$413,351 to $415,050	–	$413,351 to $466,950	–
39.6%	$415,051 and above	–	$466,951 and above	–

Notes

[1] Current law imposes an ***additional*** 0.9% percent Medicare Hospital Insurance Tax on certain upper-income individuals. This tax would be repealed under the Trump plan.

Sources: Inflation-adjusted brackets in effect for 2016 listed in IRS Revenue Procedure 2015-53. Trump data from the candidate's website.

Trump's proposed individual rate brackets:

Long-term capital gain income

The following table compares the proposed marginal rates on long-term capital gain income under the Trump plan—and the income thresholds at which those rates would apply—with current-law brackets and the inflation-adjusted income thresholds in effect for 2016. The House GOP tax reform blueprint calls for taxing capital gain income at ordinary rates with a 50% exclusion, but the blueprint does not supply beginning and ending points for the rate brackets and is not included in this comparison.

Trump capital gain rates and brackets v. current law

	Single Filers		Married-Joint Filers	
Bracket[1]	Current Law	Trump	Current Law	Trump
0%	$0 to $37,650	$0 to $37,500	$0 to $75,300	$0 to $75,000
15%	$37,651 to $415,050	$37,501 to $112,500	$75,301 to $466,950	$75,001 to $225,000
20%	$415,051 and above	$112,501 and above	$466,951 and above	$225,001 and above

Notes

[1] Rates shown in this table do not reflect the 3.8% net investment income tax imposed on certain high-income individuals that is in effect under current law. (The net investment income tax would be repealed under the Trump plan.)

Source: Current-law rates from IRS Publication 17 (2015), *Your Federal Income Tax*; inflation-adjusted brackets for 2016 from IRS Revenue Procedure 2105-53. Trump data from the candidate's website.

Changes ahead:

Taxwriting committee rosters

The following tables list the current members of the House Ways and Means Committee and Senate Finance Committee. Names listed in green indicate individuals who will not be returning to their taxwriting slots next year because they retired from Congress, lost their re-election bid, or decided to run for a different office. Just how—or whether—those vacancies will be filled in the 115th Congress (which convenes in January 2017) will be determined in the coming days as House and Senate leaders set party ratios for the committees in their respective chambers.

House Ways and Means Committee

Republicans	Democrats
Kevin Brady, Texas (Chairman)	**Sander Levin, Mich. (Ranking member)**
Sam Johnson, Texas	Charles Rangel, N.Y. (retiring)
Devin Nunes, Calif.	Jim McDermott, Wash. (retiring)
Pat Tiberi, Ohio	John Lewis, Ga.
Dave Reichert, Wash.	Richard Neal, Mass.
Charles Boustany, La. (ran for other office)	Xavier Becerra, Calif.
Peter Roskam, Ill.	Lloyd Doggett, Texas
Tom Price, Ga.	Mike Thompson, Calif.
Vern Buchanan, Fla.	John Larson, Conn.
Adrian Smith, Neb.	Earl Blumenauer, Ore.
Lynn Jenkins, Kan.	Ron Kind, Wis.
Erik Paulsen, Minn.	Bill Pascrell Jr., N.J.
Kenny Marchant, Texas	Joseph Crowley, N.Y.
Diane Black, Tenn.	Danny Davis, Ill.
Tom Reed, N.Y.	Linda Sánchez, Calif.
Todd Young, Ind. (ran for other office)	
Mike Kelly, Pa.	
Jim Renacci, Ohio	
Patrick Meehan, Pa.	
Kristi Noem, S.D.	
George Holding, N.C.	
Jason Smith, Mo.	
Bob Dold, Ill. (lost re-election bid)	
Tom Rice, R-S.C.	

Senate Finance Committee

Republicans	Democrats
Orrin G. Hatch, Utah (Chairman)	**Ron Wyden, Ore. (Ranking member)**
Chuck Grassley, Iowa	Charles Schumer, N.Y.
Mike Crapo, Idaho	Debbie Stabenow, Mich.
Pat Roberts, Kan.	Maria Cantwell, Wash.
Michael Enzi, Wyo.	Bill Nelson, Fla.
John Cornyn, Texas	Robert Menendez, N.J.
John Thune, S.D.	Thomas Carper, Del.
Richard Burr, N.C.	Benjamin Cardin, Md.
Johnny Isakson, Ga.	Sherrod Brown, Ohio
Rob Portman, Ohio	Michael Bennet, Colo.
Patrick Toomey, Pa.	Robert Casey, Jr., Pa.
Dan Coats, Ind. (retiring)	Mark Warner, Va.
Dean Heller, Nev.	
Tim Scott, S.C.	

Who's in charge?:

Battle for the Senate

Prospects for action on tax reform in 2017 depend in part on which party wins control of the Senate in this year's general election. The following table lists the declared winners in the 2016 Senate contests and the party margins for the upcoming 115th Congress as reported by Real Clear Politics. Names of the winners are highlighted in blue. Names listed in *italics* indicate incumbents. Information is current as of the date of this publication.

State	Democratic Candidate	Republican Candidate
Alabama	Ron Crumpton	*Richard Shelby*
Alaska	Ray Metcalf	*Lisa Murkowski*
Arizona	Ann Kirkpatrick	*John McCain*
Arkansas	Conner Eldridge	*John Boozman*
California[1]	Kamala Harris Loretta Sanchez	N/A
Colorado	*Michael Bennet*	Darryl Glenn
Connecticut	*Richard Blumenthal*	Dan Carter
Florida	Patrick Murphy	*Marco Rubio*
Georgia	Jim Barksdale	*Johnny Isakson*
Hawaii	*Brian Schatz*	John Carroll
Idaho	Jerry Sturgill	*Mike Crapo*
Illinois	Tammy Duckworth	*Mark Kirk*
Indiana	Evan Bayh	Todd Young
Iowa	Patty Judge	*Chuck Grassley*
Kansas	Patrick Wiesner	*Jerry Moran*
Kentucky	Jim Gray	*Rand Paul*
Louisiana[2]	Foster Campbell	John Kennedy
Maryland	Chris Van Hollen	Kathy Szeliga
Missouri	Jason Kander	*Roy Blunt*
Nevada	Catherine Cortez Masto	Joe Heck
New Hampshire	Maggie Hassan	*Kelly Ayotte*
New York	*Charles Schumer*	Wendy Long
North Carolina	Deborah Ross	*Richard Burr*
North Dakota	Eliot Glassheim	*John Hoeven*
Ohio	Ted Strickland	*Rob Portman*
Oklahoma	Mike Workman	*James Lankford*
Oregon	*Ron Wyden*	Mark Callahan
Pennsylvania	Katie McGinty	*Pat Toomey*
South Carolina	Thomas Dixon	*Tim Scott*
South Dakota	Jay Williams	*John Thune*
Utah	Misty Snow	*Mike Lee*
Vermont	*Patrick Leahy*	Scott Milne
Washington	*Patty Murray*	Chris Vance
Wisconsin	Russ Feingold	*Ron Johnson*
Seats in 114th Congress	**46[3]**	**54**
Seats in 115th Congress[4]	**48[3]**	**51**

Notes

[1] California has a top-two primary system, which allows all candidates to run and all voters to vote but advances only the top two vote-getters, regardless of party affiliation, to the general election. Two Democrats (listed alphabetically) defeated the other 32 candidates to advance to the general election.

[2] A total of 24 candidates ran for the open Senate seat in Louisiana. Because no candidate garnered the 50% share of the vote required under Louisiana law to be declared the winner outright, the top two vote-getters (indicated here) will compete in a run-off to be held on December 10, 2016. (Under Louisiana law, the top two vote getters are determined without regard to party affiliation.)

[3] Includes Independent Sens. Angus King of Maine and Bernie Sanders of Vermont, who caucus with the Democrats.

[4] Based on called races as of the date of this publication.

Acknowledgements and contacts

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