

Tax-Writers, Treasury Talk Tax Reform



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Legislative Activity

Pressing Forward with Tax Reform

Prior to last week's Memorial Day recess, both the House Ways & Means and Senate Finance Committees held hearings, which focused on the state of tax reform. First, in their hearings reviewing the President's FY 2018 Budget Proposal, tax-writers focused on various issues, including: (1) the timing and approach to tax reform; (2) revenue neutrality; (3) the border adjustment tax (BAT); (4) full and immediate expensing; (5) interest deductibility; (6) tax credits and deductions; (7) pass-throughs; and (8) simplicity. Generally, the hearings reinforced the notion that the Trump Administration is still in the early stages of the tax reform process; though Treasury Secretary Steven Mnuchin appeared before both tax-writing committees on consecutive days to discuss the budget and the Administration's approach to tax reform, he did not provide many new details on key tax policy proposals. Republican lawmakers commended the Secretary on his active involvement in tax reform discussions, while Democrats criticized the slow pace thus far and lack of details from the White House.

Additionally, the House Ways and Means Committee held a hearing, which examined the border adjustment tax (BAT) and international tax modernization as "core elements of comprehensive tax reform and the implications of these policies for

increasing jobs, investment, and economic growth.” Overall, the hearing confirmed that advancing the Blueprint past the Committee, despite its Republican majority, remains challenging; during the hearing, three GOP tax-writers voiced their concerns – or outright disapproval – of the BAT as proposed; at least four tax-writers have publicly expressed concern about the proposal. Though all parties recognized the need for tax reform, divisions among Committee Republicans materialized, highlighting disagreements over how the BAT will impact American consumers. Meanwhile, Democrats focused their efforts on pushing for a more bipartisan tax reform effort, highlighting how a tax overhaul could benefit the middle class. Notably, Chairman Brady closed the hearing by reaffirming his support for the BAT, suggesting that “thoughtful transition” planning could sufficiently address concerns raised by the proposal’s critics. However, Treasury Secretary Mnuchin criticized the BAT on the same day as the hearing, noting that “one of the problems...is that it does not create a level playing field.”

While a firm timeline for additional hearings or the release of legislative text have not been announced, recent discussions suggest that much of the negotiations will be done behind the scenes over the next several months, with details likely coming after the August recess. That said, it was clear during the most-recent round of hearings that Republicans in the House, Senate, and White House are working closely together to fill in the gaps of a comprehensive tax reform proposal.

This Week’s Hearings:

- On Wednesday, June 7, the Senate Finance Committee has scheduled a hearing to consider the following nominations:
 - David Malpass, to Be An Under Secretary of the Treasury, United States Department of the Treasury; and
 - Brent James McIntosh, to Be General Counsel For the Department of the Treasury, United States Department of the Treasury

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