

Federal Tax Day - Current, W.1, White House Proposes Tax Rate Cuts; Repeal of Most Credits and Deductions, (Apr. 27, 2017)

Tax News, Journals and Newsletters > Federal Tax > Federal Tax Day - Current > WHITE HOUSE > W.1, White House Proposes Tax Rate Cuts; Repeal of Most Credits and Deductions, (Apr. 27, 2017)

Senior administration officials outlined President Trump's tax proposals at a news conference in Washington, D.C. on April 26. "Today we are putting out core principles," Treasury Secretary Steven Mnuchin told reporters. Mnuchin and National Economic Council Director Gary Cohn said that the proposals, which include reducing individual and businesses taxes, along with abolishing the federal estate tax, the alternative minimum tax (AMT) and net investment income (NII) tax, would be fleshed-out in coming weeks.

Individuals

For individuals, the White House proposed consolidating and reducing the tax rates to 10, 25 and 35 percent. Cohn said that no income brackets have yet been developed for the proposed lower rates. The proposal also calls for doubling the standard deduction. "Married couples would have a \$24,000 standard deduction," Cohn said. He predicted that doubling the standard deduction would simplify tax filing for millions of Americans.

Along with repealing the federal estate tax, the AMT and the NII tax, the proposal calls for abolishing nearly all individual credits and deductions." The plan eliminates all individual deductions except mortgage interest and charitable deductions," Mnuchin said. The plan also calls for unspecific tax relief for families with child and dependent care expenses.

The White House plan apparently keeps the current framework for capital gains and dividend taxes. However, it would repeal the 3.8-percent NII tax. "The president looks at [the NII tax] as being a tax on capital," Cohn said.

Businesses

During the campaign, President Trump proposed to reduce the corporate tax rate and cut taxes on small businesses. The plan does both, Cohn and Mnuchin said. The corporate tax rate would fall to 15 percent. "Small and mid-size businesses will be eligible for the 15-percent rate," Mnuchin said, referring to partnerships, S corporations and sole proprietorships in which income is currently passed through to their owners at individual income tax rates. "We will make sure that there are mechanisms in place to prevent wealthy people from taking advantage of the rules for small businesses," he added.

The proposal would also move the U.S. to a territorial tax regime. "A territorial system means U.S. companies will pay tax on income related to the U.S.," Mnuchin said. "U.S. companies will not be subject to worldwide income," he added.

Not included in the proposal is so-called border adjustability. House Republicans have promoted a border adjustment tax as a way to pay for tax reform. Mnuchin predicted that the president's plan would "pay for itself" but did not elaborate how. "Lots and lots of details will go into how it will pay for itself. This will pay for itself with growth and closing loopholes," he said.

Another business proposal would provide for a one-time, reduced tax rate on earnings repatriated to the U.S. Mnuchin did not say what the rate would be but predicted it would be a "very competitive rate."

Timeframe

"We are going to move this as fast as we can," Mnuchin said. "We are working very closely with the House and the Senate to turn this into a bill that can be passed and the president can sign." Mnuchin added that the White House will hold listening sessions.

Reaction

"The principles outlined by the Trump administration today will serve as critical guideposts for Congress and the administration as we work together to overhaul the American tax system," House Speaker Paul Ryan, R-Wis., Senate Majority Leader Mitch McConnell, R-Ky., and the leaders of the House and Senate taxwriting committees said in a statement. "President Trump's tax proposal does not do nearly enough for working families and small businesses in this country," House Ways and Means Committee ranking member Richard Neal, D-Mass., said.

One potential sticking point on both sides of the aisle will be the potential cost of the tax cuts on the deficit. In responding to a question directed at that concern during the White House news conference, Mnuchin added that the plan "will pay for itself with growth and with reduction of different deductions and closing loopholes."

By George Jones and George L. Yaksick, Jr., Wolters Kluwer News Staff

[Ways and Means Press Release: Ryan, McConnell, Brady, Hatch Statement on Administration's Tax Plan](#)

[Ways and Means Press Release: Levin Statement on Trump Administration's Proposed Tax Cuts](#)

[Tax Policy Ranking Member Rep. Doggett Reacts to President Trump's Tax Plan](#)