



# House Republicans Outline Vision for Tax Reform

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[Michael Platner](#)

Today, the House Republican Task Force on Tax Reform, led by Ways and Means Committee Chairman Kevin Brady (R-TX), released "A Better Way for Tax Reform," the House Republicans' Blueprint for pro-growth, comprehensive tax reform. The report proposes to reduce individual, corporate, and pass-through business tax rates while providing full expensing for business costs and moving the United States from a worldwide international tax system to a 'territorial' dividend-exemption system. The Blueprint would also repeal both the corporate and individual alternative minimum tax.

## Business Income

The Blueprint proposes to reduce the top U.S. corporate income tax rate from 35 percent to 20 percent and a new, low tax rate of 25 percent for pass-through businesses such as S-corporations, limited liability companies, partnerships, and sole proprietorships. While full expensing of business costs (including tangible and intangible assets and excluding land) would apply to both corporate income and pass-through business income, business interest expense would only be allowed to offset business interest income. The Blueprint envisions moving the U.S. tax system toward a cash-flow tax approach for businesses that would allow border adjustments for these business taxes on imports and exports. While applying a 100 percent dividend exemption system to future foreign earnings, foreign earnings accumulated under the old international tax system would be subject to tax at 8.75 percent to the extent held in cash or cash equivalents and any remaining income would be subject to tax at 3.5 percent (companies would be allowed to pay the resulting tax liability over an eight-year period).

## Individual Income

The blueprint proposes a simplified individual tax system that would replace the current seven individual tax brackets with three rates set at 12 percent, 25 percent, and 33 percent (reducing the top individual rate from 39.6 percent to 33 percent). The Blueprint consolidates the multiple family tax benefits into two simpler benefits, an enhanced dependent/child tax credit and a larger standard deduction. All itemized deductions, other than mortgage interest and charitable contributions, would be eliminated and individuals would be allowed to deduct the greater of the new standard deduction or the total of their mortgage interest and charitable contributions. A 50 percent exclusion for qualified investment income (capital gain, dividend, and interest income) for individuals would replace the current top rate of 20 percent for qualified capital gain and dividend income. For most individuals, the process for filing tax returns would be reduced to a simple, 14-line "postcard" tax return.

The Blueprint "envisions tax reform that is revenue neutral" by including the positive revenue effects from economic growth and using a "current policy baseline" under which temporary tax provisions are assumed to be extended. The House Ways and Means Committee is expected to draft statutory language to implement these tax reform proposals in preparation for consideration early in the next Congress.

## For more information

A copy of the Blueprint is available [here](#). If you need additional information on the proposals included in the Blueprint for Tax Reform, please contact [Michael Platner \(mlp@vnf.com\)](mailto:mlp@vnf.com) or your relationship partner at Van Ness Feldman, LLP. Follow us on Twitter [@VanNessFeldman](#)