



# TaxNewsFlash

## United States

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### **KPMG report: Comparison (tables) of Republican House “blueprint” and Trump's tax proposals**

With Donald Trump in the White House as of January 20, 2017, and Republicans controlling both the House and the Senate in the next Congress, the odds of significant tax legislation being enacted in 2017 or 2018 have increased significantly.

#### **Tax legislation originates in House**

Under the U.S. Constitution, revenue measures must originate in the House. It seems likely that the House will start the tax reform process by moving a bill that is based on the “blueprint” for tax reform that House Republicans released in June 2016, modified to include additional detail and to incorporate input from the Trump Administration. During the course of the presidential campaign, Trump modified elements of his tax proposals to correspond more closely with the blueprint, although differences remain. Because of the likely significance of the blueprint to tax reform, KPMG LLP is re-releasing a report that includes a description of the tax proposals in the blueprint as well as initial observations regarding those proposals. Read the [June 2016 report](#) issued when the blueprint was released.

#### **Similarities between blueprint and Trump's campaign proposals**

The following charts show some of the key similarities and differences between the blueprint and Trump’s campaign proposals.

## Business tax proposals

Trump campaign proposal	House blueprint
15% business rate for “all businesses, both small and large, that want to retain the profits within the business”	Lower corporate rate to 20%
	Special rate of 25% for business income earned by passthrough entities. Backstopped by reasonable compensation requirement
Allow firms engaged in manufacturing in U.S. to elect to expense capital investment and lose the deductibility of corporate interest expense	Allow businesses to fully and immediately expense the cost of investment in tangible property (such as buildings and equipment) and intangible assets (such as intellectual property), but not land
	Allow businesses to deduct interest expense against interest income, with any net interest expense that is not deductible being carried forward indefinitely
	NOLs to be carried forward indefinitely and indexed for inflation, but no carry back. Carryforwards limited to 90% of the net taxable amount for the year of the carryforward
Increase cap on business tax credit for on-site childcare and allow businesses that pay a portion of employee childcare expenses to exclude those contributions from income	
Eliminate most “tax expenditures” (but not R&D credit)	Eliminate various “special interest deductions and credits” designed to encourage particular business activities (except R&D and LIFO)
Repeal corporate AMT	Repeal corporate AMT
Tax incentives for infrastructure	

## International tax proposals

Trump campaign proposal	House blueprint
	U.S. international tax system moves toward a destination-based tax system under which the taxing jurisdiction for business income would be based on the location of consumption – where goods are sold or services are performed – rather than the location of production
	Replace current system of taxing U.S. persons on their worldwide income with a territorial tax system
	Provide for border adjustments exempting exports and taxing imports
	System would provide a 100% exemption for dividends from foreign subsidiaries
Deemed repatriation at one-time 10% rate	Foreign earnings accumulated under old system repatriated by paying tax of 8.75% to the extent held in cash or cash equivalents or 3.5% otherwise (payable in installments over 8 years)

## Individual tax proposals

Trump campaign proposal	House blueprint
Individual ordinary income rates: 12%-25%-33%	Individual ordinary income rates: 12%-25%-33%
Increase standard deduction to \$15K/\$30K	Consolidate personal exemption/standard deduction into a larger standard deduction (married/\$24,000)
Eliminate personal exemptions	See above
Cap itemized deductions at \$200K for joint filers (\$100K for single filers)	Eliminate itemized deductions other than home mortgage interest and charitable deductions (undisclosed changes could be made to home mortgage interest deduction)

Trump campaign proposal	House blueprint
Provide benefits for childcare and dependent eldercare, including exemptions, rebates, and Dependent Care Savings Accounts (with some limits and caps)	Enhanced child and dependent care tax credit
Tax carried interest as ordinary income	For passthroughs, amount equal to "reasonable compensation" would be taxed as ordinary income
Repeal AMT	Repeal AMT
Repeal net investment income tax	Repeal net investment income (as part of healthcare reform legislation)
Retain 20% maximum capital gain rate	50% deduction for capital gains, interest, and dividends (6%, 12.5%, 16.5% rates)
Repeal estate tax, but tax certain capital gains over \$10 million at death	Repeal estate tax and GST

Read additional observations regarding the impact of the elections on the future tax agenda: [TaxNewsFlash-United States](#)

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