United States - Trump Administration Releases Tax Proposals

On April 26, 2017, U.S. Treasury Secretary Steven Mnuchin and National Economic Council Director Gary Cohn announced at a White House press conference the "core principles" of the president's plan for tax reform and simplification.[1] For individuals these include lower tax rates and a simplification of the tax brackets, elimination of the alternative minimum tax (AMT), doubling the standard deduction, eliminating most itemized deductions, and eliminating the estate tax.

The White House has not yet posted an official document summarizing its principles for tax reform.

In this newsletter we focus on the proposals affecting individuals – including those on international assignment – and their employers.

WHY THIS MATTERS

Several of the proposals – the elimination of the estate tax and the AMT, and the lowering of top marginal rates and the top capital gains tax rate – will be welcome by high-income earners and those with valuable estates. Companies with international assignees would need to review their equalization policies to reflect the potentially lower effective rates of U.S. federal income tax.

In cases of assignments to the United States where assignees are subject to U.S. taxation, and for assignees working outside the United States but still subject to U.S. taxation, international assignment cost projections and budgeting should be updated to reflect the changes if they were to come into effect. And, where appropriate, adjustments to payroll and hypothetical tax calculations for tax-equalized assignees would need to be considered.

Individual Tax Proposals

Director Cohn indicated that the president proposes to:

- reduce the number of individual income tax brackets from seven to three, resulting in 10%, 25%, and 35% brackets (currently 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%);
- double the standard deduction;
- repeal the 3.8% net investment income tax, reducing the maximum capital gains rate to 20%;
- repeal the individual alternative minimum tax;
- repeal the estate tax (which Secretary Mnuchin indicated, in response to a question, could happen immediately, rather than being phased in);
- eliminate all itemized deductions, except the mortgage interest and charitable contribution deductions;
- provide tax relief to help families with child and dependent care expenses.

KPMG NOTE

There is much uncertainty around the future of the president's tax proposals in terms of whether they will be drafted in a bill and, if that happens, whether (and in what form) they would be passed by Congress.

The tax reform process is still in its early stages and the KPMG International member firm in the United States will endeavor to keep readers informed as significant developments occur.

This article is excerpted from "Trump Administration Releases Tax Reform Principles," (April 26, 2017) in *TaxNewsFlash-United States*, a publication of the KPMG International member firm in the United States.

FOOTNOTE:

1 See the April 26, 2017 White House blog "President Trump Proposed a Massive Tax Cut. Here's What You Need to Know" at: https://www.whitehouse.gov/blog/2017/04/26/president-trump-proposed-massive-tax-cut-heres-what-you-need-know?utm_source=email&utm_medium=email&utm_content=20170427_ADM_1600-Daily .

For reaction to the tax proposals from House speaker Paul Ryan (R-WI), see: http://www.speaker.gov/press-release/mcconnell-ryan-hatch-brady-statement-administration-s-tax-plan .

For reaction to the tax proposals from House minority leader Nancy Pelosi (D-CA), see: http://pelosi.house.gov/news/press-releases/pelosi-statement-on-president-trump-s-tax-plan-outline .

For a discussion of the prospects of U.S. tax reform (in relation to earlier reform proposals), see B. Francis, "Tax Reform Is on the Agenda: What It May Mean for International Assignees" (February 2017) in *The Expatriate Administrator*, a publication of the KPMG International member firm in the United States.

The above information is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230 as the content of this document is issued for general informational purposes only.

The information contained in this newsletter was submitted by the KPMG International member firm in the Untied States.

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