House Republican tax reform "blueprint"—initial observations

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Legislative update: House Republican tax reform "blueprint"—initial observations

House Republicans on June 24 released their "blueprint" for tax reform. The blueprint proposes to reduce tax rates for businesses and for individuals and to move the U.S. tax system closer to a consumption-based tax system through reforms of the income tax rules (without providing a value-added tax or national sales tax). The blueprint is the latest of six proposals released as part of House Speaker Paul Ryan's "A Better Way" initiative.

The tax reform blueprint was developed by Ways and Means Chairman Kevin Brady (R-TX) with input from the broader House Republican caucus. While this blueprint document is not a legislative draft that can be acted on by the House, Chairman Brady's objective is to provide a new approach to the tax reform discussions begun in 2011 under then-Chairman of Ways and Means, Dave Camp (R-MI).

KPMG observation

A number of the blueprint's details vary significantly from the proposals included in the Tax Reform Act of 2014 introduced by Rep. Camp in 2014 (the "Camp Bill"). Although the direction, details, and timing of tax reform may be affected by the results of the November elections, businesses, individuals, and other stakeholders may want to consider carefully the blueprint's proposals. If Republicans continue to control the House next year, the blueprint can be expected to be the starting point for future House Republican tax reform efforts.

Summary of blueprint's proposals

The blueprint proposes dramatic changes to the taxation of individuals and businesses, as well as to the structure and administration of the IRS. Some of the key proposed changes are summarized below.

Individuals

Rate structure. The blueprint proposes to replace the current seven different regular tax brackets for individuals with three brackets, each indexed for inflation: 12%, 25%, and 33%.

Importantly, however, the tax rate applicable to "active business income" from sole proprietorships and passthough entities would be capped at 25%, except to the extent of an owner-operator's "reasonable compensation" for services, which would be subject to the three-bracket rate structure, above.

In addition, individuals would be able to deduct half of their net capital gains, dividends, **and interest** income (leading to basic rates of 6%, 12.5%, and 16.5% on such income depending on the applicable rate bracket). The proposal assumes that the current 3.8% tax on net investment income tax would be repealed as part of the House Republicans' vision for health care reform.

> **KPMG observation**
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> The proposed deduction for investment income would apply not only to an individual's net capital gains and dividends, but also to interest income.
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> As a general matter, the top effective rate for an individual under the proposal could vary depending upon the nature of the income. In the case of income from employment, the top income tax rate would be 33% (plus, possibly, employment taxes). In the case of net capital gains, dividends, and interest income, the top rate would be half of that amount (due to the deduction for investment income)—or approximately 16.5%. In the case of an individual's distributive share of "active business income" from a passthrough entity (excluding his or her "reasonable compensation" from providing services to such entity), the top rate would be 25%.

Alternative minimum tax. The blueprint proposes to eliminate the individual alternative minimum tax (AMT).

Exclusions, deductions, and credits. The blueprint proposes to eliminate or modify various exemptions, deductions, and credits for individuals. The blueprint, however, does not specify **all** of the exemptions, deductions, and credits that would be eliminated or modified.

For example, the blueprint explains that a separate task force on health care addressed the exclusion for employer-provided health insurance, and proposed to cap the exclusion at an unspecified level that would affect only the "most generous" plans and would ensure job-based coverage continues unchanged for the vast majority of health insurance plans. Read ***TaxNewsFlash-Legislative Updates***

In addition, the blueprint proposes to consolidate the current standard deduction, additional standard deduction, personal exemption for a taxpayer and spouse, personal exemption for children and dependents, and child tax credit into two benefits—a larger standard deduction and an enhanced child and dependent tax credit. Moreover, the proposal would eliminate all itemized deductions except the mortgage interest deduction and the charitable contribution deduction (although the blueprint indicates that Ways and Means will evaluate options for making both these

deductions more efficient and effective, while ensuring that existing mortgages and refinancings of existing mortgages are not affected).

The blueprint also indicates that Ways and Means would "work to" simplify and consolidate current tax benefits relating to education. Likewise, while the blueprint continues existing tax incentives for retirement savings, it indicates that Ways and Means will examine those incentives in developing options for an overall approach to retirement savings and will explore the creation of more general savings vehicles and the consolidation and reform of the multiple exiting incentives for savings and investment.

KPMG observation

Even though the proposal would keep the mortgage interest and charitable contribution deductions, note that fewer people could be expected to use those deductions given the larger standard deduction and the elimination of other itemized deductions. As noted above, the blueprint indicates that Ways and Means will continue to evaluate potential structural changes to both these deductions.

Note also that the blueprint apparently calls for the repeal of the itemized deduction for state and local income taxes and property taxes, as well as the optional deduction allowed for state and local sales taxes that taxpayers may choose if it provides a greater deduction than that for state and local income taxes paid. The blueprint does not directly address how the proposed tax reform would affect the taxation of interest on state and local tax debt instruments.

Estate and generation-skipping transfer taxes. The blueprint proposes repealing the estate and generation-skipping transfer taxes.

KPMG observation

The blueprint does not specifically address the gift tax. In the past, it has been suggested that, even if the estate tax is repealed, the gift tax must be retained as a back-stop to the income tax. The concern is that, if there were no gift tax, then individuals could shift income tax liability to someone in a lower tax bracket by making a tax-free transfer of an asset before a realization event and then returning the asset to the original owner once the income has been subjected to tax.

In addition, the blueprint does not suggest that a capital gains tax should apply at death in lieu of the estate tax. Nor does the blueprint mention eliminating the step-up in basis to fair market value that is currently available at death. Thus, on the face of the blueprint, it could be the case that there would be no tax liability attributable to death—not estate tax or capital gains tax—and not even a carry-over basis regime that would subject inherent gains to tax when the heir sells estate property down the road. It will be interesting to see if this is truly the intent as these proposals are fleshed out over time.

Business – in general

Proposed changes applicable to business in general include measures to:

- Lower the C corporation tax rate from the current progressive rates with a maximum rate of 35% to a flat rate of 20%
- Repeal the corporate AMT
- Allow businesses to fully and immediately expense the cost of investments in tangible property (such as equipment and buildings) and intangible assets (such as intellectual property), but not land
- Allow businesses to deduct interest expense against interest income, with any net interest expense not being deductible but being carried forward indefinitely to use against future net interest income (and with Ways and Means working to develop special rules for financial services companies that would take into account the role of interest income and expense in their business models)
- Allow net operating losses (NOLs) to be carried forward indefinitely and to be increased by an interest factor that compensates for inflation and a real return on capital, although NOLs would not be allowed to be carried back and the deduction with respect to NOL carryforwards would be limited to 90% of the net taxable amount for the year determined without regard to the carryforward
- Eliminate various "special-interest deductions and credits" that are designed to encourage particular business activities (such as the section 199 domestic manufacturing deduction and other unspecified incentives)

The blueprint also indicates that, while the blueprint would preserve the last-in-first-out (LIFO) method of accounting and a credit to encourage research and development (R&D), Ways and Means will continue to evaluate options for making both the treatment of inventory and the R&D credit more effective and efficient in the context of the blueprint's tax system.

KPMG observation

Expensing. The proposal to allow a business to fully expense investments in tangible property and intangible assets would benefit a variety of industries. Allowing buildings to be expensed would provide some benefit to the real estate industry (which may have concerns with the inability to deduct net interest expense).

The blueprint states that the effects of the expensing proposal would include driving the marginal effective tax rate on new investment to zero percent (0%) and eliminating significant complexity inherent in the current depreciation system. However, the blueprint does not address many of the ancillary issues raised by such a change. For example, it is unclear whether anti-churning provisions, which currently prevent amortization of intangibles acquired from certain related parties, would be modified or amplified to account for the tax benefit of immediate expensing. Further, it is unclear whether ordinary income recapture Code provisions (e.g., section 1245) would be retained to tax certain gains as ordinary income.

Interest expense. The proposal to eliminate deductions for net interest expense is related to the business expensing proposal. It also echoes various other recent tax reform proposals that seek to reduce the incentive for debt-financing of business activities currently inherent in the Code. The proposed interest expense regime could affect the financing activities of many businesses, including those in the real estate industry.

As indicated above, the blueprint proposes to limit a business' ability to deduct interest expense to a deduction against interest income, with an indefinite carryforward for unused interest expense. This would conform a corporate issuer's tax treatment of dividends and net interest expense, thus (according to the blueprint) reducing the tax-based incentives for businesses to increase their debt load beyond the amount dictated by normal business conditions. Potential ancillary ramifications of this proposal could include:

- Incentivizing companies, through the use of financial products or otherwise, to increase their interest income (to the extent the company otherwise would face a deferral of its interest deductions)
- Reducing the advantage of leverage in the structuring of M&A transactions
- Reducing the tax benefits of outbound interest payments (to the extent otherwise permitted under the proposed section 385 regulations)

The proposal provides that Ways and Means would consider appropriate adjustments for financial services companies, but is silent as to the potential impact on capital intensive businesses. To determine the net effect of this proposal one would need to weigh, on a present value basis, the blueprint's additional proposal for current deductibility of business investments against the provisions under current law allowing depreciation over time plus available interest deductions.

The blueprint's denial of interest deductions overlaps to some extent with the proposed section 385 regulations. However, unlike the primary focus in the proposed section 385 regulations on intra-group debt, the blueprint proposal is broader and would apply to deny a deduction for net interest expense arising from interest payments to third parties as well. In addition, the blueprint would disallow business interest regardless of whether the standards of the proposed regulations are satisfied. Nonetheless, the blueprint is narrower than the proposed section 385 regulations in that it would not apply to recharacterize debt as equity for all federal income tax purposes. Moreover, the blueprint proposes to deny an interest deduction only for net interest expense.

It is unclear to what degree the proposal would be coordinated with existing rules in the Code (e.g., section 163(j)).

Impact on other Code provisions. While the blueprint proposes to eliminate various special interest provisions and promises to dramatically reduce the size of the Code, it does not specify many of the potentially affected provisions. Accordingly, there is uncertainty regarding whether the blueprint would modify or eliminate numerous Code provisions that are significant to businesses and to mergers and acquisitions, including some Subchapter C provisions.

For example, the blueprint proposes to allow net operating losses (NOLs) to be carried forward indefinitely and to increase the unused NOLs over time by an interest factor that would "compensate" for inflation and a real return on capital. NOL utilization would be limited to 90% of net taxable income (determined without regard to the carryforward). However, the blueprint does not indicate whether loss trafficking provisions in the Code—including sections 382 and 384—would be modified or enhanced, if retained at all. Would NOLs and other tax attributes continue to be limited when a corporation experiences an "ownership change?" If retained, would the limitation calculation under section 382 be modified to account for the proposed interest factor?

In addition, the blueprint would permit individuals to partially exclude investment income (including net capital gains, dividends, and interest income). The blueprint, however, does not appear to extend this exclusion to corporations. The blueprint does not indicate whether certain Subchapter C Code provisions with dividend implications (e.g., section 304 as well as those addressing tax-free treatment for incorporations and reorganizations) would be retained or modified.

Finally, the blueprint does not specifically address the fate of numerous current law provisions that may be significant to particular industries. For example, the blueprint is silent as to what would happen in tax reform to real estate investment trusts (REITs), regulated investment trusts (RICs), publicly traded partnerships (PTPs), like-kind exchanges, and a host of provisions relating to energy and natural resources.

State and local tax considerations. Nearly every state conforms its state corporate income tax in some manner to the federal corporate income tax. For the large part, states begin the computation of state taxable income with federal taxable income, although they frequently "decouple" or choose not to conform to certain types of federal changes, particularly those that diminish the federal tax base.

Certain proposals contained in the blueprint make substantial changes in the federal corporate income tax, particularly the expensing of certain asset acquisitions and the repeal of a variety of special provisions that are designed to shift the tax toward having a cash flow, in contrast to a net income, base. Looking to the experience with items such as bonus depreciation, it might be expected that a number of states would choose not to conform to certain blueprint proposals. It remains to be seen whether such nonconformity could be maintained over the long-term. If the federal infrastructure (such as depreciation schedules and the like) were eliminated, states may find they would be required, as a matter of administration and compliance, to conform to the new federal provisions.

Businesses with international operations

If implemented, the blueprint would fundamentally transform the current U.S. international tax system by moving the United States towards a destination-based tax system under which the taxing jurisdiction for business income would be based on the location of consumption (i.e., where goods are sold or services are performed) rather

than the location of production. This new system would contain two core features: (1) it would replace the current system of taxing U.S. persons on their worldwide income with a territorial tax system; and (2) it would provide for border adjustments exempting exports and taxing imports.

Treatment of cross-border sales, services, and intangibles

The United States is one of the few developed nations that does not impose a national-level value added tax (VAT). The blueprint notes that VAT systems allow countries to make border adjustments to exports and imports that reduce the costs borne by exported products and increase the costs borne by imported products. Although the net effect of these border adjustments should be neutral when both the exporting and importing countries employ VAT systems, the blueprint notes that World Trade Organization (WTO) restrictions have created an imbalance for the United States because the WTO prevents border adjustments for exports with respect to traditional corporate income tax systems. These restrictions do not apply to VAT systems and other "indirect" taxes. As a result, exports from the United States implicitly bear the cost of the U.S. income tax while imports into the United States do not bear any U.S. income tax.

The blueprint explains that the move toward a consumption-based tax approach would make the U.S. cross-border system more "indirect" and thereby allow the United States to counter this imbalance by incorporating border adjustments in a new tax system that is consistent with WTO rules. Although it is not clear how the border adjustments would work, the blueprint explains that the intended result is that products, services, and intangibles that are exported outside the United States are intended to be exempt from U.S. income tax, while products, services, and intangibles that are imported into the United States would be subject to U.S. tax, regardless where they are produced.

Shift from worldwide to territorial tax system

The blueprint proposes significant changes to the taxation of business income earned outside the United States. The blueprint would move from the current worldwide system—which permits deferral of the U.S. tax on foreign active business earnings until those earnings are repatriated—to a "territorial" system. The blueprint would exempt foreign active business income by providing a 100% exemption for dividends received from foreign subsidiaries. The blueprint notes that the 100% exemption is designed both to increase the competitiveness of U.S.-based companies vis-à-vis foreign based multinationals and eliminate the "lock-out effect" of current law (i.e., the disincentive to repatriate earnings due to residual U.S. taxation). The 100% rate is more generous than some prior proposals for an exemption system, which would impose a small (~5%) "haircut" as a proxy for not disallowing domestically incurred expenses attributable to the exempt foreign income.

Although the blueprint provides little detail on the mechanics of the new system, it would repeal most of the current "subpart F" regime that subjects certain income of controlled foreign corporations (CFCs) to current U.S. taxation. The blueprint specifically focuses on the foreign base company income rules and notes that the bulk

of the subpart F rules, which were intended to discourage U.S.-based multinationals from conducting certain activities overseas, would no longer be needed because the territorial tax system would eliminate the tax incentives to locate business activities outside the United States.

The blueprint would retain the foreign personal holding company rules, however, that generally focus on passive foreign income, such as dividends, interest, and royalties. As part of the shift to a territorial system, the blueprint would impose a one-time tax on accumulated foreign earnings. The blueprint would impose an 8.75% tax on accumulated foreign earnings held in cash or cash equivalents and a 3.5% tax on all other accumulated foreign earnings. Companies would be able to pay the repatriation tax over an eight-year period. These are the same rates included in the Camp Bill.

KPMG observation

The blueprint would appear to move the United States closer to a pure territorial system than any of the recent international tax reform proposals from the Obama Administration or House Ways and Means and Senate Finance Committee leaders (most notably, former Ways and Means Committee Chairman Dave Camp's 2011 and 2014 international tax reform proposals and former Senate Finance Committee Chairman Max Baucus's 2013 proposals). The blueprint did not include draft legislative language or a detailed description of the proposals, but the high-level summary raises numerous important questions.

One threshold question is whether the blueprint actually would replace the current income tax with a consumption tax, or whether the blueprint technically would retain an income tax but make significant modifications to closer mimic the economics of a consumption tax. In addition to WTO compliance concerns, this distinction could have important consequences for current U.S. income tax treaties. Because U.S. treaties generally apply only to income taxes and not consumption taxes, a move from an income tax to a consumption tax effectively could void the current network of U.S. treaties. Even if the blueprint would not void current treaties in their entirety, however, the blueprint may seek to override certain provisions of current treaties that would appear to be inconsistent with the destination-based approach of taxation, such as permanent establishment provisions that would prohibit the United States from taxing a foreign business on sales to U.S. customers, unless those sales are attributable to a U.S. permanent establishment of the foreign business. Additionally, the move from an income tax to a consumption tax would depart from the OECD's work on the base erosion and profit shifting (BEPS) project over the past several years to more closely harmonize the income tax treatment of cross-border business income.

The blueprint does not discuss the treatment of expenses in the proposed system, thus leaving unclear how payments made by U.S. taxpayers to foreign counterparties, such as royalties, would be "border-adjusted." There also is no discussion of anti-base erosion measures to accompany the adjusted tax base and lower rates, which had been a feature of other significant reform proposals

from the past several years. If "border adjustment" is taken to its logical extreme, it could lead to the non-deductibility of all cross-border payments, which would obviate the need for other base erosion protections.

Consistent with the shift to a territorial system, the blueprint generally would repeal the bulk of the subpart F rules but would retain the foreign personal holding company rules to discourage U.S.-based companies from conducting certain passive activities outside the United States. The blueprint presumably would also retain the passive foreign investment company (PFIC) rules, although the blueprint does not specifically mention any other regimes that may be necessary to target perceived abuses. The blueprint also would need to modify the foreign tax credit rules to conform with the changes. For example, similar to prior proposals, the blueprint presumably would repeal the indirect foreign tax credit rules in section 902 but retain the indirect tax credit rules in section 960 (or similar rules) to provide a credit for foreign taxes on foreign personal holding company income (or any other type of subpart F income included in the new system).

The blueprint does not specifically address the treatment of individual shareholders of foreign corporations. As discussed above, the blueprint generally would allow an individual U.S. investor to deduct 50% of his or her capital gains, dividends, and interest income in calculating his or her tax liability for the year. It is unclear whether individual U.S. investors would enjoy this same preferential tax treatment on dividends, interest, and gains from investments in foreign corporations, or whether income and gains from foreign investments would need to satisfy additional requirements to qualify for the preferential treatment (e.g., treaty residency requirements similar to the rules in section 1(h)(11) for qualified dividend income). It also is unclear whether the CFC and PFIC rules would continue to apply to individual investors.

Passthrough businesses / choice of entity

The income tax rate applicable to flowthrough income can be important to many owners of passthrough entities. As indicated above, the blueprint proposes a flat rate on C corporations of 20%. For individuals, the blueprint proposes a top individual rate on income from employment of 33%; a top effective individual rate on net capital gains, dividends, and interest income of 16.5%; and a top rate on the distributive share of "active business income" of an individual owner of a passthrough entity of 25%, except to the extent of an owner-operator's "reasonable compensation" for services. The blueprint does not define what constitutes "active business income."

The blueprint also suggests that sole proprietorships and passthrough entities must pay, or will be treated as paying, "reasonable compensation" to their owner-operators. The blueprint does not elaborate as to how reasonable compensation would be determined.

The blueprint also makes numerous changes to how businesses would compute their income. Many of these changes presumably would apply to businesses conducted

through passthrough entities, thereby affecting the effective tax rate of their owners on business income.

The blueprint does not include a proposal specifically addressing the treatment of profits interests in partnerships (i.e., carried interest).

KPMG observation

The top effective tax rate applicable to income of an owner of a passthrough entity from such entity can be expected to vary depending upon the particular facts, including the type of business in which the entity is engaged. For example:

- An individual who owns an interest in, and provides services to, a passthrough services business (such as a law firm, consulting firm, accounting firm, or other professional services firm) would be subject to a top rate of 33% on "reasonable compensation" from such business, but may be subject to a top rate of only 25% on that person's distributive share of other income that constitutes "active business income." Thus, distinguishing compensation income from active business income would be important in determining the rate applicable to income (as well as the applicability of any employment tax) under the proposed new regime.
- The effective tax rates of owners of businesses that invest in new machinery, equipment, and other property eligible for full expensing may be reduced—perhaps significantly—to the extent expensing deductions offset "active business income."
- For individual owners of investment partnerships, there would still be a spread between capital gains rates and the income tax rates on employment income and active business income. Pending additional details regarding the proposal, it is not clear how the reasonable compensation standard might apply.

More generally, it is not clear how the "reasonable compensation" standard would be implemented or whether service provider partners who are treated as receiving "reasonable compensation" might be treated as employees. Note that, in the S corporation and C corporation context, "reasonable compensation" currently is largely determined based on the facts and circumstances, and the issue of whether compensation is "reasonable" sometimes has been resolved through litigation. Given the wide variation of compensation in different areas of the country, as well as in different industries, providing an objective standard for reasonable compensation could be difficult.

Note also that, under the current tax Code, portfolio income is carved out from business income and business income is divided into two buckets—passive and non-passive income. Current regulations provide detailed rules to determine the parameters of business activities and to establish whether an owner materially participates in the business activity. Query as to whether these rules may have some application to whether income would constitute "active business income."

More generally, note that the changes proposed by the blueprint could affect choice-of-entity decisions for some business entities. The flat 20% C corporation rate would be lower than the 25% tax rate for active business income (other than "reasonable compensation") earned through a passthrough entity. However, C corporation income would remain subject to a second level of tax when distributed to non-corporate owners. This second level of tax could be between 6% and 16.5%, depending on the recipient's tax bracket and, therefore, the "double tax" imposed on C corporation income could still exceed the 25% rate for active business income of passthrough entities. [The blueprint is silent, however, on the rate of withholding tax that would apply to dividends paid to foreign shareholders.]. Further, it appears that the flat 20% tax rate for C corporations would be applied to both ordinary and investment income. Therefore, C corporation investment income could be subject to a higher rate than the maximum rate of 16.5 % imposed on investment income earned by an individual, even without taking into account the second level of tax on distributions.

Moreover, taxpayers would need to be wary of other potential changes proposed by the blueprint that may affect choice of business entity (e.g., whether the blueprint would retain special treatment for sales of small business stock under section 1202).

Changes to the IRS

The blueprint proposes to restructure the IRS into three major units—families and individuals, businesses, and an "independent small claims court" unit—each of which would be committed to "service first" and would be accountable to a "taxpayer bill of rights." The IRS would be headed by a new "administrator" appointed by the president, with the advice and consent of the Senate. The administrator would have a three-year term, with the president only being allowed to reappoint an administrator once.

Transition rules

The blueprint does not specify what transition rules would be used to implement the plan, with limited exceptions. For example, it indicates that all foreign earnings accumulated prior to implementation of the territorial regime would be subject to a one-time tax at an 8.75% rate if held as cash or a cash equivalent. Earnings not held as cash or a cash equivalent would face a one-time tax at a 3.5% rate, payable over an eight-year period.

The blueprint indicates that Ways and Means would craft clear rules to serve as an appropriate bridge from the current tax system to the new tax system, with particular attention given to comments received by stakeholders.

KPMG observation

Based on prior international tax reform proposals, the blueprint presumably would provide phase-out rules for at least some of the current international tax rules that

would be repealed under the proposal. However, the blueprint's general silence regarding transition rules raises a number of questions, including:

- Would the corporate tax rate gradually be reduced to the flat 20% corporate tax rate?
- Would the rules influencing the deductibility of interest be implemented in Year One (and would certain debt instruments be grandfathered)?
- Would a corporation's existing tax attributes continue to be utilizable in the revised regime? For example, the blueprint would repeal the corporate AMT, but is silent as to whether a taxpayer with AMT credit carryforwards would be able to use them in future years. Similarly, the blueprint would not subject foreign-source income to tax in the United States, but is silent as to whether taxpayers with foreign tax credit carryforwards could use their carryovers in future years.
- Would these and other existing carryovers continue into the new system, and if so, would they be subjected to some phase out?
- What economic incentives or disincentives would immediate implementation create for corporations, specifically those currently contemplating significant corporate transactions (e.g., mergers, acquisitions, dispositions, and other financing transactions)?

In addition, consideration would need to be given to the financial statement impact of any transition rules.

Revenue and distribution

Ways and Means Chairman Brady has indicated that a revenue estimate for the blueprint is not yet available given that details are still being fleshed out. Tables showing how the proposal would affect taxpayers with different income levels likewise are not currently available.

As a general matter, however, the blueprint indicates that it "envisions tax reform that is revenue neutral" and that it "will deliver a new tax system under which no income group will see an increase in its Federal tax burden." With regard to the revenue impact, the blueprint notes that:

- House Republicans measure revenue neutrality by reference to a "current policy baseline" that assumes that Congress will extend tax incentives currently scheduled to expire.
- House Republicans achieve revenue neutrality in part by including the positive revenue effects from the economic growth that would result from a more pro-growth tax Code.
- The blueprint assumes that tax increases enacted as part of "Obamacare" (such as the net investment income tax, the additional 0.9% payroll tax, the medical device tax, and the health insurance tax) will be repealed as part of the proposal set forth

by the separate health tax force and should be paid for by repealing “Obamacare,” without new taxes to replace them.

Direct comments, including requests for subscriptions, to Washington National Tax. For more information, contact KPMG’s Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

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