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NEBRASKA TAXPAYERS FOR FREEDOM ISSUE PAPER:
TRUMP TAX RELIEF EMBRACES EVERYONE.

BACKGROUND. Overtaxed Americans have waited too long for comprehensive federal tax relief. 30 years have passed since the federal tax code underwent revision under President Reagan. Since 1988, the tax code has increased from 26,000 pages to 74,000 pages. Finally, President Trump, in conjunction with the House of Representatives Ways and Means Committee and the Senate Finance Committee, proposes vital tax relief that will revitalize the middle class taxpayer, accelerate the economy, increase employment, and solidify families. Trump noted that our country and our economy cannot accelerate, unless we dramatically reform our outdated, complex, and extremely burdensome tax code. This plan enlarges the tax cuts now Vice-Pres. Pence initiated in 2013 as Governor of Indiana. Unemployment there dropped by 50%, over 200,000 new jobs created. This state has claimed a powerful competitive edge built on low taxes and less regulation. In recent years, Indiana welcomed dozens of companies fleeing high taxes and high-tax states. Thousands of new jobs and massive capital investment followed. Trump tax cuts will put more $$ in taxpayer pockets.

TAX DEDUCTIONS. The standard deduction will double, so that additional income taxed at 0%. The first $12,000 of income for an individual and $24,000 income for a married couple tax-free. Such would drastically reduce the number of people who opt to itemize their deductions, as the only reason to itemize is if your individual deductions combined exceed the standard. This higher standard deduction means 27 million more taxpayers will not need to bother claiming itemized deductions. Many individual itemized deductions eliminated but allowed for retirements earnings, charitable contributions, and mortgage interest. Eliminated are deductions for state and local income taxes, which will infuriate the representatives of high-tax states like New York, New Jersey, and California. Such action may prompt residents to move to lower tax states and thereby invigorate economies there. The plan would retain existing tax benefits for college and retirement savings such as 401(k) contribution plans.

TAX BRACKETS. The 7 current tax brackets for taxable income will shrink to 3, 12%, 25%, and 33%. Middle class couples would see on average tax cuts of $2,700, or 4.9% after tax income.

Ordinary Income Rate	Capital Gains Rate	Single Filers	Married Joint Filers
12%	0%	$0 to $37,500	$0 to $75,000
25%	15%	$37,500 to $112,500	$75,000 to $225,000
33%	20%	$112,500+	$225,000+

Though raising the bottom rate from 10% to 12% will threaten taxpayers who currently reside in the 10% bracket, the plan promises to almost double the standard deduction, which every taxpayer receives even if not itemizing their deductions, which will effectively create a larger 0% bracket and prevent tax increases on lowest earners. Typical families in the existing 10% bracket will gain from the plan because of the larger standard deduction, larger child tax credit, and additional tax relief included during the committee process. For example: A single taxpayer earns $30,000 annually. Under current law, he would become entitled to a $6,350 standard deduction and a $4,050 personal exemption, meaning a taxable income of $19,600. The first $9,350 of this income would face tax at the 10% rate, the excess taxed at 15%, for a total tax of $2,472. Under the Trump plan, however, though the 12% higher rate appears troubling, the doubling of the standard deduction to $12,700 means that only $17,300 of the taxpayer income falls subject to tax. If we assume the 12% bracket will apply up to an amount in excess of $17,300, the total tax bill will equal $2,075, $400 **LESS** than under current law. Other facets of the plan would substitute for the loss of personal tax exemptions. Unfortunately, the plan does not specify which brackets one would fall into. The congressional tax committees must assign income ranges to each rate. Introduction of a "more accurate measure of inflation" for indexing the tax code will occur.

TAX CREDITS. This plan will increase and expand the $1,000 Child Tax Credit for kids after 17 and establish a new $500 tax credit for persons caring for a dependent adult or elderly loved one and claimed as a dependent. Raising the income thresholds for eligibility for the credit will allow more taxpayers to qualify. Also, increases the income levels at which the child tax credit phased out (currently $110,000 for married couples filing jointly, $55,000 for married couples filing separately, and $75,000 for others). Trump eliminates the marriage penalty relating to the Child Tax Credit. The penalty means two single parents receive the full credit, if they earn $150,000 combined. If married, the credit shrinks after they earn $110,000. The Earned Income Tax Credit, designed to reward poor people who work instead of receiving welfare, would also continue, though changes possible.

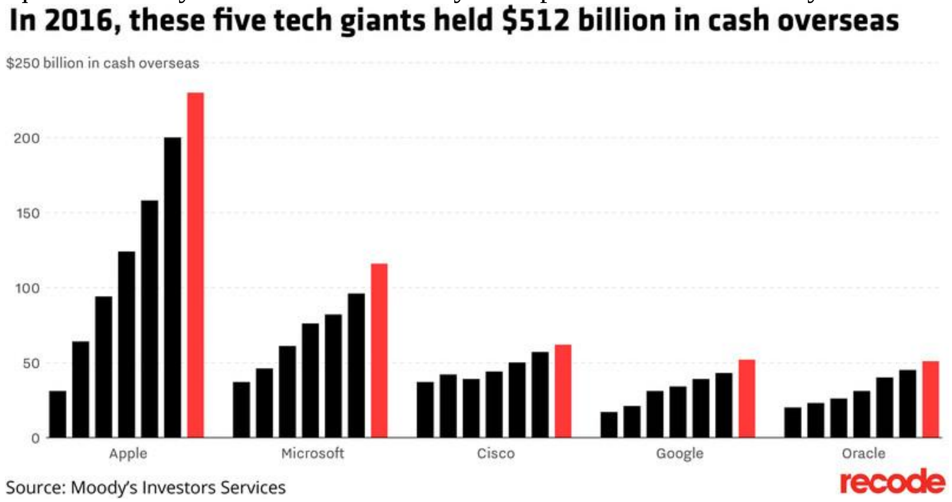
SIMPLIFICATION. Most taxpayers could file their taxes on one sheet of paper. Now, individuals and businesses spend over 6 billion hours complying with tax rules.[1] More than 90% of Americans use assistance to prepare their taxes. Businesses will reduce their headcount in accounting departments as technology replaces employees

UNPOPULAR TAXES ENDED. The Alternative Minimum Tax, which increases each year to snare additional individual and corporate taxpayers and forces many to figure their taxes twice and pay the higher amount, will disappear. It originally intended to ensure the wealthy pay at least some tax. The AMT most typically hits filers making between $200,000 and $1 million. In 2014, 4.1 million of the 4.2 million who paid AMT earned more than $100,000, and the tax they paid totaled almost $28 billion, according to IRS data. Federal estate and gift taxes eliminated to protect millions of small businesses and the American farmer. The estate tax is the leading cause of family farms being lost. Supporters of eliminating this tax say it can force family-owned businesses to break up, sold to pay taxes, affecting worker jobs. The value of the land and equipment often quite high, which triggers the tax. Because it is an illiquid asset, sometimes no way to pay the tax. Thus, farmers must sell the land and equipment or let the government take it. No more 3.8% surtax, the Net Investment Income Tax. No more marriage penalty.

CORPORATE TAXES. Economists agree that our corporate tax rate harms American workers by depressing their wages. More than 70% of the corporate tax burden falls on American workers, according to the Congressional Budget Office. The corporate tax rate will drop from 38.91% (federal rate plus average corporate rates levied by states) to 20%, to make American businesses competitive with those overseas. This rate now is the highest among industrialized nations, 10% higher than the rate in Red China.[2] Our total business tax rate is 60% higher than our average foreign competitor in the developed world. The Tax Foundation estimates that this 20% rate would represent a tax cut of almost $1.8 trillion over the next decade. For most entrepreneurs and small businesses, the tax rate is equal to a personal rate, their business income taxed at personal rates. The top rate paid by sole proprietors, S corporations, and partnerships will drop to 25%. Under current law, no tax levied on these businesses at the entity level. The owner pays the tax on his or her share of the business income at the individual level, where rates can rise as high as 39.6%. Under the Trump framework, the business income allocated to these business owners would not fall subject to progressive individual rates, only a flat individual rate of 25%. Millions of small businesses and farms that file their taxes as sole proprietors, S corporations, or partnerships will see this tax rate cap, the lowest top marginal income tax rate for small and mid-size businesses in this country in more than 80 years. Such could help real estate companies, hedge funds, and private equity funds. To give businesses even more reason to boost their investment in America, for the next 5 years, the proposal will allow them to write off the cost of equipment in the year they buy it instead of taking deductions and deducting the cost over a long period of time. American businesses also could write off the cost of other capital investments. The plan allows businesses to immediately write off the cost of new investments in depreciable assets other than structures made after September 27, 2017, for at least 5 years. This policy represents an unprecedented level of expensing pertaining to the duration and scope of eligible assets. This means the cost of assets such as trucks or equipment bought for a business could become written off immediately rather than amortized over a few years, a change that supporters believe will spur investment in growing businesses. Current corporate taxes depress wages, because company revenue outlays increasingly pay taxes. Profits accumulated overseas will pay a one-time low tax rate, thereby ending the incentive to keep these profits overseas to benefit foreigners. To avoid paying outrageous U.S. corporate taxes on foreign profits, many U.S. companies often reinvest their profits abroad. Our current tax system makes us one of the few developed nations in the world to punish our companies with prohibitive taxes when they return wealth earned overseas. As a result, corporations have parked many trillions in foreign countries, and many have incorporated abroad to avoid our punitive tax system altogether. And some companies actually leave our country, because they have so much money overseas that they move the company to guard their assets. Companies now keep billions offshore, money that could enhance our domestic economy.[3] Many tech giants have opted to stash billions of dollars overseas or reinvest them, aiming to avoid the 35% U.S. tax on those earnings. Apple, for example, has $246 billion in profits sitting overseas. Multi-national corporations and companies and individuals attempting to create tax efficient offshore business have for many years stored a great deal of money overseas. Reform will stop penalizing companies for incorporating here at home. The framework switches to a "territorial system," whereby the overseas profits of U.S. companies would no longer fall subject to U.S. tax, only to the tax of the nation where profits made. The new system will make U.S. companies more competitive with their foreign counterparts and will

[1] National Taxpayer Advocate, 2017.
[2] Congressional Budget Office, 2017.
[3] Audit Analytics, 2017.

use more of their foreign profits to invest and create jobs in the U.S. The proposal would entice repatriation by reducing corporation tax on inflows. It will replace the existing, antiquated national tax system with a 100% exemption for dividends from foreign subsidiaries (in which the U.S. parent owns at least a 10% stake). To transition to this new system, the framework treats foreign earnings that have accumulated overseas under the old system as repatriated. Accumulated foreign earnings held in illiquid assets will lie subject to a lower tax rate than foreign earnings held in cash or cash equivalents. Payment of the tax liability will spread out over several years.



To prevent companies from shifting profits to tax havens, the framework includes rules to protect the U.S. tax base by taxing at a reduced rate and on a global basis the foreign profits of U.S. multinational corporations. Congressional committees will incorporate rules to level the playing field between U.S.-headquartered parent companies and foreign-headquartered parent companies. The biggest winners are American workers, as jobs start pouring into our country, as companies start competing for American labor, and as wages start rising to levels not seen in many years. Domestic manufacturers will see the lowest marginal rates in almost 80 years. The plan specifically preserves business credits in two areas where tax incentives have proven effective in promoting policy objectives important in the American economy: research and development. Pension funds for police, teachers, and other public employees would benefit. Trump limits several special exclusions and deductions, including the current-law domestic production (Section 199) deduction. "We want more products proudly stamped with these beautiful words: 'Made in the USA,'" said the President.

EXEMPTIONS. The plan preserves exemptions for mortgage interest and charitable giving. The plan retains tax incentives for home ownership and higher education. Municipal bond interest still tax-free. No state income tax deduction against federal taxes, which could encourage folks to move to states with no state income tax, like Florida, Nevada, Texas, Washington, and Wyoming, while punishing high-tax states like California, Hawaii, Illinois, New York, and Oregon. Limits on the net interest deductions enjoyed by C-corporations. No more $4,050 personal exemptions per person in a family.

IMPACT ON REVENUE. His plan would decrease federal revenues by $4.4 trillion-$5.9 trillion.[4] Reduced rates, the doubling of the standard deduction, and the elimination of personal exemptions represent a $1 - $1.5 trillion tax cut over the next decade. Add the $1.8 trillion corporate tax cut. Permitting full expensing of business assets for up to 5 years totals $1.2 trillion. The new 25% rate on income of S corporations, partnerships, and sole proprietorships totals $.4 trillion. Termination of the AMT totals $.4 trillion. Ending the estate tax deletes $.2 trillion.

ECONOMIC BOOST. It will increase economic growth in the first 5 years, add 1.7% in 2017, 1.1% in 2018, and 0.5% in 2019. That growth will add income tax revenue. The Tax Policy Center estimates it will add $53.1 billion in revenue in 2017. Then, it will add $34.9 billion in 2018 and $17.5 billion in 2019. Trump would greatly reduce marginal rates and the cost of capital, meaning higher GDP levels, wages, and full-time employment. This boost reducing marginal tax rates on labor and greatly reducing marginal tax rates on investment. Economists at the Royal Bank of Canada offered an optimistic commentary on this tax reform, suggesting in its current form it will boost growth and urge investors to rethink the stock markets. Senior U.S. economists state that GDP would grow by at least 0.5% every year. Economists estimate that slashing taxes would add about $10.50 to S&P 500 company earnings per share over 1 year. Earnings per share are a crucial measurement used by stock traders to tabulate a company profitability. The U.S. will become more attractive as an investment location and the dollar strengthened from increased capital imports. Chief White House economic adviser Gary Cohn stated, "We think we can pay for the entire tax cut through growth over the cycle."

[4] Tax Foundation, 2017.

SUPPORT. The conservative House Freedom Caucus endorsed the plan, calling it "a forward-looking tax reform framework that will let hard-working Americans keep more of their money." The Nasdaq rose 1.2% after the tax plans revealed; the S&P 500 hit an all-time record.

OPPOSITION. 45 of 48 Democrat senators already have promised to vote NO on the Trump proposal.

PROGRESS. The House and Senate must agree on their respective tax resolutions. The extent to which the GOP majorities in both houses appear willing to increase the federal deficit to provide tax cuts will determine how quickly action occurs. Once a budget adopted, congressional tax-writing committees begin completing details on actual tax legislation.

TAKE ACTION NOW. Conservatives must make our voices heard loudly. Lobby your representative and 2 senators today to support the Trump Tax Reform Plan. More money in our pockets and less of our hard-earned dollars for a voracious federal government. Email netaxpayers@gmail.com to join our NTF Congress Watch Project.

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