

Report on recent US international tax developments - 8 December 2017

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The US House and Senate took important procedural steps forward on tax reform this week, with both chambers voting to go to conference to reconcile differences between the House and Senate bills and develop a final reform bill. The House voted on 4 December to go to conference, the Senate on 6 December. House Ways and Means Committee Chairman Kevin Brady will chair the conference committee.

There were some noteworthy comments this week by the chairman of the conference committee. Chairman Brady was quoted as saying on 7 December that the international tax changes in a final tax reform bill may include a transition period to allow taxpayers time to adjust to the new provisions. He said that some industries had asked for the delay to provide certainty, and that "most of the requests have been very fair."

Chairman Brady said he expected the final version of the *Tax Cuts and Jobs Act* would include repeal of the *Affordable Care Act's* individual mandate. He also said he expected House and Senate conferees would work to improve the tax treatment of pass-throughs, although he declined to say which approach - the House or Senate bill - he prefers. The Chairman added that he wants to see the corporate Alternative Minimum Tax (AMT) eliminated in the final bill. The House bill would eliminate the corporate AMT, but it is retained in the Senate bill.

Chairman Brady also let on that Congress would be looking to enact further tax changes in 2018 that will not be included in the final tax reform package. No details were provided.

And despite an earlier comment by President Trump that he might be open to a final corporate tax rate above 20%, both Chairman Brady and Senate Majority Leader Mitch McConnell this week said they support keeping the corporate rate at 20%, as found in both the House and Senate bills.

David Kautter, Treasury assistant secretary for tax policy and acting Internal Revenue Service Commissioner since 13 November, recently told a conference in Washington that

tax reform has been “all consuming” at the department. He said besides simplification of tax regulations, tax reform and its implementation is his top priority. Kautter also said he expects a considerable amount of “sub-regulatory guidance, a lot of notices” after tax reform is enacted. He noted that the House reform bill alone contains more than 80 grants of regulatory authority to the Treasury Secretary.

Administration officials and Congressional Republican leaders continue to say they expect to pass final tax reform legislation and have the President sign the bill into law before the new year.

For additional information with respect to this Alert, please contact the following:

Ernst & Young LLP, International Tax Services, Washington, DC

- ▶ Arlene Fitzpatrick arlene.fitzpatrick@ey.com
- ▶ Joshua Ruland joshua.ruland@ey.com

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