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‘Big Six’ Negotiators Bring Tax Reform to the Fore

Republicans have begun the pivot to a new goal: Comprehensive tax reform. Six negotiators representing Congress and the Trump administration — Steven Mnuchin, Gary Cohn, Mitch McConnell, Paul Ryan, Kevin Brady and Orrin Hatch — have been holding regular meetings to discuss tax reform and unite on shared priorities. In July, they released a joint statement outlining those principles and a timeline to accomplish reform in the fall.

Expectations are high for the “Big Six.” House Freedom Caucus Chairman Mark Meadows in August said tax reform should take effect retroactive to the start of 2017 and be ready for President Donald Trump’s signature by no later than Thanksgiving. White House legislative director Marc Short in July predicted reform would pass the House and Senate in October and November, respectively. However, former Speaker of the House Newt Gingrich has publicly advised Republicans against committing to a timeline. Others aren’t holding their breath: 73.7 percent of respondents in a Deloitte poll of business professionals released in August were “doubtful” or “not at all confident” that tax reform would happen in 2017.

The Big Six Represent Major Players and Institutions in Federal Tax Policy

The group of negotiators represent tax policy regulators and policymakers from the Executive Branch and Congress. While the two tax-writing committees will be in charge of drafting — and passing — legislation, they’ll need to work with the White House to gather enough votes to ensure passage.

**Steven Mnuchin**
TREASURY SECRETARY

Mnuchin oversees the IRS and other Treasury offices that manage tax policy. While he originally predicted tax reform could be accomplished by August, he has since pushed back the goalposts to a later fall deadline. Mnuchin and Cohn have been holding listening groups with conservative stakeholders since April; the pair have also reached out to conservative Democrats and the bipartisan Problem Solvers Caucus.

**Gary Cohn**
DIRECTOR, NATIONAL ECONOMIC COUNCIL

Cohn advises Trump on domestic and international economic policy. Cohn has stated tax reform is his top priority, and now predicts the administration will share a reform plan with Congress in September. He has also said reform will be an open process and will include discussions with outside groups. He has identified pass-through and international taxation as particular challenges.

**Paul Ryan**
SPEAKER OF THE HOUSE

Ryan will guide tax reform legislation through the House. While he chaired the Budget Committee, Ryan introduced tax reform measures in the fiscal 2012 and 2013 House budget resolutions. As the former chair of the Ways and Means Committee, he supported a territorial tax system, which would allow businesses to immediately write off tax on foreign earnings, and bonus depreciation, which the “Big Six” joint statement took off the controversial border-adjusted tax proposal, in the Force that released the “A Better Way” tax reform plan.

**Kevin Brady**
HOUSE WAYS AND MEANS CHAIRMAN

Brady leads the primary House tax-writing committee, which will be responsible for holding hearings and marking up legislation. Brady also chaired House Republicans’ Tax Reform Task Force that released the “A Better Way” tax reform blueprint in 2016. The blueprint included the controversial border-adjusted tax proposal, which the “Big Six” joint statement took off the table for discussions moving forward.

**Mitch McConnell**
SENATE MAJORITY LEADER

McConnell will have a central role in corralling Republican votes in the Senate. McConnell has refused to put a timeline on when reform might be completed and was skeptical of early predictions that it could be accomplished by August. He has also stated he believes tax reform will not be bipartisan, and will instead be passed with reconciliation (which will not require Democratic votes).

**Orrin Hatch**
SENATE FINANCE CHAIRMAN

Hatch chairs the Senate tax-writing committee, and will lead Senate hearings on tax reform. He has previously been open to bipartisan tax reform, putting him at odds with McConnell and others who believe reform will rely solely on Republican votes. As Chair of the Senate High-Tech Task Force, Hatch introduced an “Innovation Agenda” in February which proposed a lower corporate rate and considering a territorial tax system.

Uniting on Shared Priorities

On July 27, the negotiators released a joint statement outlining their collective priorities for tax reform in the fall, including:

**“Unprecedented” capital expensing**

Businesses can deduct expenses from their total taxable income. Some purchases are eligible for full, immediate deduction; deductions for capital investments (such as buildings and machines) are instead spread out over a number of years. Changes here could entail immediate capital expensing, which would allow businesses to deduct the full cost of capital investment in the year it is made.

**“Priority” on permanence**

The Big Six emphasized that tax reform should include permanent measures. However, some proposals, including tax cuts, may need to be temporary to fit the parameters of reconciliation, which prohibits measures from expanding the deficit outside of a 10-year window.

**Lower rates**

The Big Six stated they want to reduce corporate and individual tax rates “as much as possible.” The group emphasized lowering taxes for small businesses “so they can compete with larger ones,” and reducing overall corporate rates to be more globally competitive.

**Encouraging repatriation, onshoring**

The joint statement also mentioned incentivizing businesses to “bring back jobs and profits trapped overseas.” Proposals to repatriate profits and investment are numerous, and could include specific or limited incentives, or adopting a territorial system.

Sources: Deloitte Tax LLP; the White House; offices of Sens. Orrin Hatch and Mitch McConnell; the Tax Foundation; Tax Policy Center

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