Arizona Eyes on DC

A window into Washington for business in Arizona

- news, trends, and discussions with thought leaders -

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About Us

Total Spectrum

Total Spectrum - Arizona

Welcome back to *Arizona Eyes on DC,* and our first issue of 2016. We'll continue this year providing vital, concise, and timely information that you need, as well as featured interviews with some of Washington's thought leaders.

This year's Presidential campaign is America's bright shiny object. It's fair to presume that Hillary Clinton will be the Democratic nominee - even after her loss Tuesday night in Michigan - but predicting the outcome of the Republican contest has proved a fool's errand. We both know any number of experts who will be eating a lot of crow this Thanksgiving instead of turkey.

Donald Trump won decisively Tuesday night in Michigan, Mississippi, and Hawaii, and next week's winner-take-all primaries in Florida and Ohio will go a long way toward providing a clearer read on the Republican nomination. We've linked to several excellent articles that describe the delegate race - and the impact that the March 15th primaries in Ohio and Florida will have on deciding the ultimate Republican nominee.

Expertise

2016 and Beyond: Current Tax Policy Work, intro to Hilary Clinton's Proposals

In the News

Three Clear Messages from 3/8 Primaries *(Real Clear Politics)*

As Trump rolls again, opposition has one week to stop him *(Washington Post)*

Why Florida and Ohio are the only states left that really matter in the GOP, in 3 charts *(Washington Post)*

2016 Momentum Shifts, But Not the Math (MSNBC)

It's easy to get lost in the excitement of the campaign. Yet it's vital to remember that campaigns are not an end to themselves - but for the winning candidate, it's the beginning of governing.

Who wins an election - and how he or she wins - has real life consequences. That's why we will look at policy options on the other side of November with a series of articles we'll call *2016 and Beyond*. These articles will focus on key issues and agendas that are important to Arizona, and what we can expect after Election Day. We are beginning the *2016 and Beyond* series with an article on tax policy because of its impact on all Arizona businesses, regardless of size.

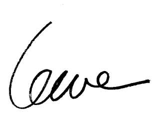
Most people can find fault with significant parts of the tax code, but many have concluded that passing major changes would be a huge 'lift'. That's historically accurate, but it's also true that new administrations get a grace period, and we don't yet know the makeup of the next Congress.

Few people in Washington, D.C. know tax policy better than Jim Miller, our Total Spectrum Partner. Jim was a litigator for four years in the Tax Division of the Justice Department before becoming a senior official in the Office of Tax Policy in the Department of Treasury, where he focused on taxation of corporations and partnerships. After leaving government service, he chaired the legislative practices at three major law firms before coming to Total Spectrum.

We asked Jim to focus on this year's tax Congressional deliberations, as these efforts will be the starting point for work in 2017. He also provides an overview of Democratic presidential candidate Hillary Clinton's tax policy proposals.

Future issues of *Arizona Eyes on DC* will delve deeper into policy proposals of each candidate, and how other issues of interest to Arizona will be impacted by the outcome of this year's bright shiny object.

Thanks for your continued interest. We want to continue to be your Window on Washington.



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2016 and Beyond:

Tax Policy Work in 2016 - and a first look at Hillary Clinton's Tax Proposals
by Jim Miller, Partner

It has become clear that this year is going to be principally spent designing proposals for next year's tax reform proposals. Senator Orrin Hatch (R UT), Chairman of the Senate Finance Committee, has said many times that he wants to have his upcoming corporate tax integration proposal enacted this year, but its expected release in May would leave little time for Congress to act. Chairman Hatch's Dividends Paid Deduction (DPD) proposal would allow corporations to deduct dividends paid in calculating their corporate tax liability. The dividends would be taxed to all shareholders, regardless of their tax exempt status.

On the House side, the Ways and Means Committee is expected to roll out an international tax reform bill by the end of March. Chairman Kevin Brady has downplayed the goal of enacting this bill this year, but the recent explosion of corporate inversions and the media focus on them could generate a spike in Congressional activity. The international tax reform bill could also be combined with the Senate's corporate integration bill because they are not mutually exclusive.

The House of Representatives is also engaged in a year-long effort to look at tax reform. The Ways and Means Committee issued the following mission statement and set of principles which will guide the effort:

Mission Statement: Create jobs, grow the economy, and raise wages by reducing rates, removing special interest carve-outs, and making our broken tax code simpler and fairer.

Principles

1. Make the tax code simpler, fairer, and flatter.

- Reduce the number of pages in the tax code and reduce the length of tax returns and IRS instructions.
- Ensure similar tax bills for taxpayers with similar incomes.

2. Close loopholes, eliminate special-interest carve-outs, and limit the deductions, exclusions and credits that riddle the tax code today.

- Reduce the number of hours Americans spend on tax filing and compliance.
- Reduce the resources that are devoted to tax planning and tax avoidance.

3. Ensure that businesses both large and small have a competitive tax system.

- Provide a fair and competitive tax rate for job-creating businesses.
- Facilitate the growth of employers, regardless of size or form.

4. End the tax code's encouragement of the shift of jobs overseas.

- Help American companies compete and win in the global economy.
- Reduce the tax penalty for bringing overseas earnings home to invest in America.

5. Remodel the tax code so it is built for economic growth.

- Increase private sector employment, wages, and personal consumption.

- Increase investment in business capital and gross domestic product.

6. Do not allow the tax system to be used to bail out Washington's spending problem.

- Do not increase the tax burden on any income group.
- Rely on controlling Washington spending, rather than higher tax burdens, to reduce the national debt.

Policy Reforms:

- Lower tax rates for families, small businesses, and corporations.
- Eliminate special-interest carve-outs.
- Reduce complexity in the tax code.
- Reduce the double taxation of savings and investment.
- Reduce the tax bias against headquartering businesses and locating jobs in America.

Desired Outcomes:

- Greater investment and employment, increased economic activity, and a larger economy.
- A stable and predictable tax code under which families and employers are best able to plan for the future.
- Business decisions that are driven by economic potential, not by tax considerations.
- Reinvestment of the growth generated by tax reform into further pro-growth reforms.

The Clinton Tax Plan

All of the Presidential candidates are talking about their comprehensive plans for tax policy, and we'll review their plans in this and future issues of *Arizona Eyes on DC*.

Democratic presidential candidate Hillary Clinton - not surprisingly - has a different approach that is being discussed by the Chairman Hatch and Chairman Kevin Brady. In a word, Republicans are looking at significant tax cuts while Mrs. Clinton is looking at very significant tax increases.

Her campaign has proposed $1.1 trillion in tax increases, although she plans to call for a tax cut for middle and lower incomes.

Her tax increases would target the nation's wealthiest, with the top 1% taking the bulk of the hit. The very top 0.1% of taxpayers would see their tax bills go up by $519,741 under her plans, while overall the top 1% would pay an additional $78,284.

Mrs. Clinton has proposed at least 18 separate tax increases. But two-thirds of the revenue raised would come from just four proposals: impose a surcharge on income above $5 million, create a 30 percent minimum tax on millionaires, curb the ability of the wealthy to take itemized deductions, and raise the capital gains tax.

Other proposals of the Clinton campaign target companies attempting to slash their tax bills through so-called inversions by making those transactions more difficult; targeting a related tax avoidance maneuver known as "earnings stripping"; and imposing an exit tax on foreign acquisitions of American companies. Mrs. Clinton also wants to levy a risk fee on large financial institutions, impose a new tax on high-frequency trading, target tax preferences associated with executive compensation, and dump tax breaks for the oil and gas industries.

On capital gains, she wants to stretch out the amount of time someone must hold an asset from the current policy of one year to more than six years before they can claim a reduced long-term capital gains rate.

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