



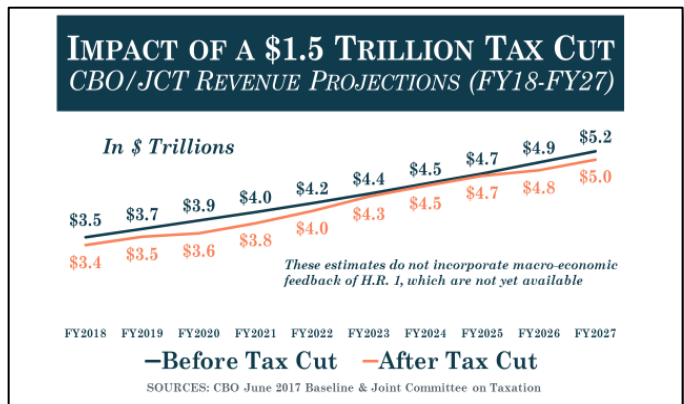
THE BENEFITS OF TAX REFORM

It has been 31 years and 24 days since President Reagan signed the Tax Reform Act of 1986, which promoted a surge of American prosperity. In the three decades since then, however, the U.S. tax code has become littered with trillions of dollars in special-interest tax breaks that have distorted economic decisions, stifled growth, and caused take-home pay to stagnate. The Tax Cuts and Jobs Act (H.R. 1), scheduled for the House floor this week, reverses the trend. The legislation's goals are clear: robust economic growth, stronger job creation, and higher wages resulting from lower tax rates and a simpler tax code for individuals, small businesses, and corporations. Meanwhile, the \$1.5 trillion in tax relief will not starve the Treasury of resources (see figure). The key elements that will yield these results are described below.

Fewer Brackets, Lower Rates. H.R. 1 consolidates the current seven income tax brackets into four and lowers those tax rates to zero, 12 percent, 25 percent, and 35 percent, while maintaining a top marginal rate of 39.6 percent. These changes will encourage work and productivity by letting taxpayers keep more of the extra dollars they earn immediately and throughout their lives. Under this bill, a typical middle-income family of four, earning \$59,000, will receive a \$1,182 tax cut.

Simplification. H.R. 1 eliminates special interest loopholes that complicate the code, distort taxpayers' economic choices, and force higher marginal tax rates. In return for removing these tax provisions, the bill nearly doubles the standard deduction – from \$12,700 to \$24,000 for families – increases the child tax credit from \$1,000 to \$1,600, and preserves the earned income tax credit. These steps, too, will reduce tax burdens for most Americans while sparing them the need to navigate the current, byzantine tax code.

A Lower Corporate Tax Rate. The House bill lowers the corporate tax rate to 20 percent from its current growth-stifling 35 percent – the highest among industrialized countries – which many economists say will deliver growth rates not seen in decades. At the same time, the measure ensures Main Street job creators never pay more than 25 percent, and many of those small businesses will benefit from the new 9-percent tax rate on their first \$75,000 of income. By allowing job creators to plan for their future and make long-term business investments, the Tax Cuts and Jobs Act will promote faster growth and additional revenues in the years ahead.



Stronger Productivity. To improve operations and enhance the skills of employees, H.R. 1 allows businesses to immediately write off the full cost of new equipment. Coupled with the ability of small businesses to deduct the interest on loans that help entrepreneurs start or expand a business, this legislation delivers on the promise of pro-growth tax relief.

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