

TAXTALK

U.S. Tax Reform - The Long-Awaited Tax Proposal: “Unified Framework for Fixing our Broken Tax Code”

On September 27, 2017, the Trump Administration and Republican leaders released their framework for tax reform that would make changes to both individual and business taxation, including a series of tax cuts that the Republican Party hopes to pass this year.

The goals stated in the framework for tax reform are to:

1. Make the tax code simple, fair and easy to understand
2. Allow American workers to keep more of their paychecks
3. Levelling the playing field for American business
4. Allow for tax effective repatriation of offshore income

The items addressed in the unified framework include:

- * A reduction in federal corporate tax rates from 35 percent to 20 percent
- * Elimination of the corporate alternative minimum tax (AMT)
- * Application of a maximum tax rate of 25% for income for flow-through businesses

- * Immediate expensing of new investment in depreciable assets (other than structures) for at least five years
- * A limitation on corporate net interest expense deductibility
- * A move to a territorial system
- * A reduction of individual tax brackets from seven to three, with a lowering of the top federal rate from 39.6 percent to 35 percent
- * A repeal of the Estate Tax and generation-skipping transfer tax

Unfortunately, the proposals for tax relief are not very specific or detailed, nor do they indicate how to pay for the proposed tax cuts, as there is a requirement that any diminished revenue must be covered by increases from other sources. The President noted that he will leave it up to Congressional committees to supply details.

At this time, the framework is a proposal, with lawmakers attempting to simplify the tax code and provide relief to the American middle class. However, the implementation of any of these corporate items could significantly impact the way Canadians do business in the U.S.

For more information contact Basil Punit at 647-726-0587 to discuss how these provisions may affect your personal or corporate business tax situation.

A memorandum of this nature cannot be all-encompassing and is not intended to replace professional advice. Its purpose is to highlight tax planning possibilities and identify areas of possible concern. Anyone wishing to discuss the contents or to make any comments or suggestions about this TaxTalk is invited to contact one of our offices.

Offices: 20 Bay Street, Suite 1510
Toronto, Ontario M5J 2N8
Phone: 416-362-0515
Fax: 416-362-0539

1900 Minnesota Court, Suite 116
Mississauga, Ontario L5N 3C9
Phone: 905-451-4788
Fax: 905-451-3299

TaxTalk is prepared by our Tax Group (taxtalk@mgca.com). Please visit our web site at www.mgca.com.