FCA INTERNATIONAL LEGISLATIVE Update
Building a Better Future for Our Families

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Congressional Overview

Last week, the House Ways and Means Committee released H.R. 1, the Tax Cuts and Jobs Act, and the committee markup for the bill began on Monday. The Senate Finance Committee also released their version of the bill this week. Both the House and Senate are working on an accelerated timetable to advance the bills by the Thanksgiving holiday and President Trump indicated he wants to sign tax cut legislation into law by Christmas.

Additionally, the House passed a bill that would overturn the National Labor Relations Board's 2015 ruling that defined a "joint employer." Meanwhile, the Senate voted on President Trump's nominees, which consumed the week's legislative schedule.

Sen. Sherrod Brown Introduces Multiemployer Pension Reform Bill

Sen. Sherrod Brown (D-OH) introduced legislation this week to shore up multiemployer pension plans that are on the brink of insolvency. The bill would create a new Treasury Department office that would lend money to the pension plans. Funding for creation of the office and for the loans would come from the "sale of Treasury-issued bonds to financial institutions."

Per Sen. Brown's staff, the plan trustees would have 30 years to repay the loans, according to Brown's office. The legislation was drafted to address the many large multiemployer pension plans, including the Teamsters' Central States plan and the United Mine Workers' plan, which are projected to go insolvent within the next decade. Adding to the pressure is the looming insolvency of the Pension Benefit Guaranty Corporation (PBGC), which theoretically is the government arm that handles such matters. In August, the PBGC projected that its multiemployer program would go insolvent by the end of 2025 if the status quo remained.

National Apprenticeship Week is Next Week

The third annual National Apprenticeship Week will take place next week (Nov. 13-19). National Apprenticeship Week (NAW) is operated by the Department of Labor, and it offers leaders in business, labor, education and other critical partners a chance to express their support for Apprenticeship. NAW also gives apprenticeship sponsors the opportunity to showcase their programs, facilities and apprentices in their community. The week's events highlight the benefits of Apprenticeship in preparing a highly-skilled workforce to meet the talent needs of employers across diverse industries.

House Republicans Release Tax Reform Plan

Last Thursday, House Republicans released an ambitious plan to reform the federal tax code for individuals and corporations. *The Tax Cuts and Jobs Act* seeks to lower the tax rate for corporations and small businesses and simplify the tax code.

Congress passed legislation last month (along party lines) that will allow the House and Senate to use a legislative mechanism, known as Budget Reconciliation, to expedite the consideration of the tax bill in the Senate. Under the Budget Reconciliation structure, the tax bill will only require a simple majority of votes (51 votes) in the Senate to pass. The Budget Reconciliation instructions allow Congress to increase the federal deficit up to $1.5 trillion over 10

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years. Due to a related Senate rule, unless Congress passes legislation in the years to come to provide funding to pay for the tax provisions permanently in the proposal, most of the policy changes will sunset in 2027.

The House began formal consideration of the tax proposal in the Ways and Means Committee on Nov. 6. Speaker Paul Ryan (R-WI) has vowed to complete consideration of the proposal including passage of the bill in the House before the Thanksgiving holiday. Meanwhile, Senate Republicans plan to introduce a tax reform proposal after Thanksgiving. It is likely there will be some key differences in the House and Senate proposals. Nonetheless, the House and Senate Republican Leadership and the president have vowed to enact tax reform legislation quickly.

The House tax reform bill does not include a repeal of the taxes included in the Affordable Care Act (such as the Health IT tax), medical device tax or the Cadillac tax. A few of the key provisions included in the House reform proposal include the following:

- Immediate and permanent reduction of the corporate tax rate to 20 percent beginning in the 2018 tax year.
- Repeal of the Alternative Minimum Tax in 2018.
- Full and immediate expensing of qualified property acquired and placed in service after Sept. 27, 2017 and before Jan. 1, 2023, with an additional year for certain property with a longer production period.
- Reduces the tax rate for a portion of net income distributed by a pass-through entity to no more than 25 percent. The remaining portion of net business income would be treated as compensation and continue to be subject to ordinary individual income tax rates.
- As part of its effort to simplify the tax code, the legislation increases the standard deduction for tax payers to $24,000 for joint filers and $12,000 for individuals.
    - The increase in the standard deduction is designed to substantially reduce the number of people who itemize deductions on their tax returns. A reduction in the number of people who itemize will jeopardize financial contributions to charitable organizations as fewer people will use the charitable tax deduction. While the House proposal does not make any changes to the charitable tax deduction, organizations that rely on financial donations will be impacted.

The proposal makes dramatic changes to tax rates for multinational companies. Some of the key provisions that would apply to multinational companies include:

- Imposing a “back-end value-added tax” that taxes certain related party transaction at a 20 percent tax rate beginning in 2019.
- Permitting a disallowance of a deduction for the net interest expense in excess of 30 percent of the business’s adjusted taxable income in 2018.
- Limiting the deduction of net interest expense of U.S. companies which are members of an international financial reporting group to the extent the domestic corporation’s share exceeds 110 percent of its share of the group’s global earnings before interest, taxes, depreciation, and amortization beginning in 2018.
- Repealing the tax on U.S. corporations with respect to untaxed foreign subsidiary earnings reinvested in U.S. property.

Finally, other highlights of the *Tax Cuts and Jobs Act* in the area of corporate tax include:

- Repealing the tax credit for clinical testing expenses for certain drugs for rare diseases or conditions in 2018.
- Allowing for a deduction on net operating loss carryover or carryback only to the extent of 90 percent of the taxpayer’s taxable income beginning in 2018.
- Repealing the special rule treating the transfer of a patent prior to its commercial exploitation as long-term capital gain in 2018.

Affordable Care Act Repeal and Tax Reform

The Affordable Care Act could still infiltrate the tax-reform debate if more Republican lawmakers decide to make a push to repeal the individual mandate, which imposes a fine upon people who do not obtain health coverage. Currently, the repeal of the requirement is not part of the tax package.

Democrats Urge Interior Department to Preserve Methane Rule

A group of 81 House and Senate Democrats penned a letter asking Interior Secretary Ryan Zinke to abandon a proposed delay or rollback of an Obama-era rule limiting methane emissions from oil and natural gas operations. Per the letter, "We support the BLM's rule because it prevents the unnecessary waste of a public resource, and makes sure that American taxpayers get fair value in return for commercial use of that public resource."

New EIA Leader

Last Friday, Nov. 3, President Trump nominated Linda Capuano to lead the Energy Information Administration (EIA). Capuano is a fellow at Rice University's Baker Institute for Public Policy and a former Marathon Oil executive.

FERC Complete

The Senate's confirmation of two nominees to the Federal Energy Regulatory Commission (FERC) brings the panel up to a full five members. Kevin McIntyre will become chairman, while Richard Glick also joins the commission.