

## House Panel's Talk of Phased-in Tax Cut Counters Trump's Wishes

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- ▶ Brady tells reporters no decision on phase-in has been made
- ▶ Mnuchin wants immediate cut but 'will see how that goes'



**Kevin Brady** Photographer: Andrew Harrer/Bloomberg

House tax writers are discussing a gradual phase-in for President Donald Trump and Republican leaders' proposed corporate tax-rate cut -- on a schedule that would put the rate at 20 percent in 2022, according to a member of the chamber's tax-writing committee and a person familiar with the discussions.

The phase-in plan is under discussion, but isn't yet final, said a member of the House Ways and Means Committee, who asked not to be named because the discussions are private. Other members said they planned to discuss the proposal during a private meeting Monday afternoon.

House Ways and Means Chairman Kevin Brady told reporters Monday that there hasn't been a decision yet. When asked whether a phase in was being considered, he said only:

"We want to get the growth up front."

The phase-in proposal would reduce the rate from its current 35 percent rate by three percentage points a year starting in 2018. If adopted, it would delay some of the economic effects Trump and his advisers have sought to emphasize from their tax cuts. U.S. stocks fell to session lows and Treasuries pushed higher on the news.

Trump wants to immediately cut the rate, White House Press Secretary Sarah Huckabee Sanders said during a press briefing Monday.

"The president laid out his principles and it doesn't include the phasing in, so we're still committed to that moving forward," Sanders said. "I don't have any reason to believe we have changes on that front at this point."

Treasury Secretary Steven Mnuchin emphasized that stance during an interview while traveling in the Middle East. "The objective is not to have that phase in, but we will see how that goes," he said. Mnuchin added he's been talking to Brady and Senate members throughout his trip, including calls in the middle of the night to discuss tax efforts.

The Ways and Means panel plans to release the text of a bill on Wednesday, ending a secretive drafting process that has had corporate lobbyists on edge. The broad framework that Trump and congressional Republican leaders released last month called for the 20 percent corporate rate as one of several tax-rate cuts for businesses and individuals.

## **Economic Arguments**

Two GOP members of the Ways and Means committee -- Representative David Schweikert of Arizona and Representative Devin Nunes of California -- said Monday that they wanted to see how the math worked out before taking a position on the phase-in proposal.

The corporate cut was estimated to cost \$1.6 trillion over a decade, according to estimates from the Tax Foundation, a Washington policy group -- but it would be less costly under a phased-in schedule. Under budget rules Republican leaders have said they plan to follow, tax cuts that aren't offset with enough revenue-enhancing provisions to avoid adding to the long-term deficit would have to expire.

Trump had argued for cutting the corporate rate to 15 percent -- though in September as the GOP framework emerged, he quickly embraced the 20 percent target, calling it "a perfect number."

His White House has since argued that cutting the rate to 20 percent would speed up economic growth enough to eventually make the U.S. economy 3 to 5 percent larger than it otherwise would be. That analysis, by Trump's Council of Economic Advisers, has also found that cutting the corporate rate would increase average household income by at least \$4,000. Other economists have questioned that claim.

## **Budget Issues**

A possible phase-in for the corporate rate has been rumored for weeks, according to two people close to the debate who asked not to be named. GOP tax writers are looking for ways to limit their bill's net revenue loss to \$1.5 trillion to satisfy the parameters of the budget resolution that the House and Senate have adopted.

Brady told some of his panel members about the phase-in proposal Sunday night, said a Washington lobbyist who was familiar with the discussions. During a meeting at the White House as recently as last week, the phase-in idea wasn't mentioned, said the lobbyist, who asked not to be named because the discussions are private.

It's possible that Brady will use the phase-in proposal as a bargaining chip in drafting the legislation, the lobbyist said.

Conservative tax lobbyist Ryan Ellis said a proposed phase-in for the corporate rate would be "very disappointing if true." He said it would "delay business allocation of capital by the same five years."

Some anti-tax activists, including Grover Norquist, the head of Americans for Tax Reform, have urged Republicans to frontload the tax cuts in order to deliver economic benefits immediately. They say that delaying them would mean Republicans couldn't tout them by the 2018 midterm elections.

Lloyd Greif, the chief executive officer of Greif & Co., an investment bank in Los Angeles, said phasing in the corporate tax cut would "wreak havoc" in corporate executive offices nationwide and mute the potential growth effects.

Delays in economic growth, a core GOP goal and promise, might cause voters to turn against Republicans in the 2020 elections, Greif said. That, in turn, could raise the question of "will tax policy be unwound by a new Administration?" he said. In the interim, "corporate boards are going to defer making significant investment decisions."