



From: Lew Uhler, President
Subject: **MAJOR TAX REFORM: CREATION OF A TAX REFORM TRUTH SQUAD**
Date: August 28, 2017

JOIN US!

As a close ally and friend in the battle for a conservative America, we want you on board a vitally important effort – assuring the passage of major growth-inducing Tax Reform. The setback we have experienced in repealing and replacing Obamacare has been disappointing, but instructive. Important elements of our society at large were not convinced and we found the same with our conservative base – AND we didn't have in place the support system ("Healthcare Reform Truth Squad") that understood the issues and could help us. We must change this for tax reform with a "Tax Reform Truth Squad."

There are several issues that must be addressed if we are going to be victorious:

- **Status and Timing** – We have substantial agreement now among the White House, Senate and House of Representatives on the elements and priorities of the tax reform package (see reverse side for a list of the likely legislative "pieces" and arguments). It appears we can and should pass the legislation before year's end.
- **Outreach / recruitment of Truth Squad members:** Over the years we have developed relationships with many tax experts, economists, state / local taxpayer groups, national and state based think tanks, state legislators through ALEC, federal / state / local business associations such as realtors, farm bureaus, NFIB, etc., with participation of many as part of our Tax Cut Working Group Coalition coordinated by Jim Martin (60+ Association), Dan Mitchell (CATO) and myself (NTLC). We are continuing this process with aggressive outreach at the state / local level, especially of conservative youth groups such as Intercollegiate Studies Institute (ISI), Young America's Foundation, the Leadership Institute, State Policy Network organizations and state level business association affiliates. We realize that Republicans – through their party organizations are key to our recruitment and training efforts: Republican Women's Federated, Young Republicans and College Republicans, Trump delegates, national / state Republican committee members, etc.
- **Training** – We held our first Training Session for the "Tax Reform Truth Squad" in Sacramento August 18th with Steve Moore as our principal "trainer." We will hold webinars and use other training tools, including a social media campaign featuring short videos and YouTube – and printed materials as well (you can view our first YouTube ad at this site on our website <https://goo.gl/stmRWs>. We will make available highlights of the Moore presentation to be used locally).
- **Messaging** – We will target messages to the various age groups to maximize likelihood of viewership – millennials (20 - 36), Gen X (37 - 56), Baby Boomers (57 - 71), Seniors (72+). We can use short messages around the theme of "An Un-Tax Moment." (Please see the reverse side for likely tax reform legislation elements and suggested arguments.)
- **Measuring progress** – We will need a polling component to assure that our message is penetrating in those states, areas and districts which will be pivotal to the outcome.

If you agree that we must team up on this – and work to educate our kindred spirits on these objectives – please become part of our tax cut "Tax Reform Truth Squad" and be willing to participate in outreach to our fellow taxpayers. We're ready to do as much and reach as far as our resources will take us. We need your help! (Please go to <https://goo.gl/stmRWs> for our detailed analysis of the elements of Tax Reform.)



From: Lew Uhler, President
Subject: **FUNDAMENTALS OF PRO-GROWTH TAX REFORM**
Date: August 28, 2017

Simplify and Lower Personal, Family Tax Rates. President Trump and the Congressional Tax Committees are in agreement on reducing the current 7 tax rate brackets to just three – 12%, 25%, and 33%. Those rates, plus doubling the standard deduction, even more in Trump’s proposal (raising it to \$15,000 for singles and \$30,000 for married couples), would make the tax reform plan a significant tax cut for all taxpayers increasing their take home pay and growing the economy.

Lower America’s Outdated, Highest in the World Corporate Tax Rate. America today suffers from the highest corporate marginal tax rate in the developed world at nearly 40% (counting state corporate rates on average, driving American companies and jobs to other nations). Corporate rates in Asia average half that at 20.1%, Europe less than half at 18.9%.¹ President Trump has proposed lowering the federal corporate tax rate to 15%, with the same 15% rate applying to “pass through” income on mostly smaller businesses organized as partnerships, sole proprietors and Subchapter S Corps.

This is not a payoff to Wall Street and the rich as George Soros, Bernie Sanders and other progressives claim. Studies confirm that 70% to 90% of corporate taxes are born by workers in terms of lost jobs and wages. That is why the rest of the world has been so busily cutting corporate taxes over the last 25 years. This tax incidence results because capital is more mobile than workers, more able to flee burdensome tax jurisdictions for more tax friendly business climates in today’s global economy.

End Double Taxation of Foreign Earnings of US Corporations. Almost all countries today follow the principle of “territoriality” in taxation, which provides that income is taxed in the country where it is earned. But the United States does not follow this principle for American companies doing business abroad. If American companies earn income overseas through foreign operations, they pay applicable taxes on that income to the country where it is earned. When they bring that money back to America, they must pay taxes on the income again, up to the 39.2% top marginal rate. This has led American companies to hold rapidly accumulating funds offshore, now totaling over \$2 trillion.

President Trump and the Congressional tax committees all support applying US taxes on a territorial basis to business income earned abroad. Trump proposes, as well, a one-time corporate rate of 10% on foreign earnings now held overseas. If that money is brought home and invested in America it will create and finance new jobs here and could trigger substantial infrastructure improvements.

Expensing Capital Investments. The general rule is business expenses, and all other expenses incurred for the production of income, are deductible in the year such expenses are incurred. But that rule does not apply to capital expenses incurred to support the production of income. Such expenses are subject to depreciation rules, which means deductions for the cost must be arbitrarily spread over many years. This policy discriminates against **capital** investment, making it arbitrarily more expensive, resulting in sharply reduced capital investment and worker productivity. Capital investment should be treated equally with all other expenses for the production of income: deductible in full in the year incurred.

Studies by The Tax Foundation, Inc. confirm that such **immediate** expensing for capital investment provides the greatest impact on economic growth of any component of tax reform. Fortunately, the tax reform proposals of President Trump, and Congressional Tax Committees both include such immediate expensing of capital.

Reduce Tax Rates on Capital Investment. Capital investment is the lifeblood of capitalism and is the foundation for creating new jobs and rising wages by providing the new tools and equipment to make workers more productive. That is why Speaker Paul Ryan, Ways and Means Chairman Kevin Brady, Senate Finance Committee Chairman Orrin Hatch and President Trump propose a new 50% exclusion of capital gains, dividends and interest income from taxation.

“Kill” the Hated “Death Tax.” The President and Congressional leaders agree it is time to end the 100-year-old estate tax passed to help fight World War I. It produces less than 1% of federal revenues but has significant disruptive and unfair effects on family businesses and farms. It drives those subject to the tax to “protect” themselves by “insuring around” the tax with annual premiums of up to \$13 billion. This is a “dead weight” loss to our economy. This tax is deemed unfair by over 75% of our people whether or not they are affected by it.

Other Issues – and Revenue Neutrality. A handful of other issues are being considered as part of the tax reform package: deductibility of state and local taxes, business interest expenses, “carried interest” tax rate, etc. Through debate, give and take in the legislation process, etc. these issues will be resolved. What is key is to avoid the “trip wire” of revenue neutrality (demanding a new tax dollar for each dollar cut). The tax reform components outlined above will expand the economy and increase tax dollar flows as they did in response to Kennedy and Reagan tax reforms.

¹ Arthur Brooks, “The Dignity Deficit: Restoring America’s Sense of Purpose,” *Foreign Affairs*, March/April 2017, p. 112.