

## Health Care and Tax Reform

In light of the demise of the health care repeal bill – the American Health Care Act (HR 1628) - in the House on Friday, we wanted to get you a short note on the possible impact of this on tax reform.

Most immediately the schedule for tax reform, at least in the House, moves up. Speaker Ryan's promise to pass a tax reform bill through the House by the August recess now seems more realistic. There is still a lot of work to be done in turning the House Blueprint into legislation, but it reasonable to expect the pace to accelerate and Ways & Means to begin serious discussion immediately. Their first meeting is on Tuesday (tomorrow).

The Senate, which was anticipating dealing with health care, is not as far along in its process and it is too early to estimate a timeframe for action in the Finance Committee.

It is important to note that the House health care bill included a significant revenue title and had $ 999.5 million in tax cuts. The bill repealed 11 revenue raising provisions and modified some others from the Affordable Care Act including a tax on medical devices, a surtax with revenue devoted to the Medicare Trust Fund, a net investment tax, among others. Some had been in effect, some had been delayed, but under the American Health Care Act, all were repealed. The cost of the revenue loss was offset by other spending cuts totaling $1.15 billion, principally for direct subsidies for health insurance for certain individuals and the Medicaid program and the total price tag for the bill was deficit reduction of $150 billion over ten years.

Some these repeals are very popular with Republican Members of Congress and some Democrats for that matter. Many were included in the President’s tax cut plan. There will now be pressure to include many of them in tax reform. The House Blueprint envisions a revenue-neutral tax bill that simplifies the tax code and reduces corporate and individual income tax rates. According to the House plan, at least some of the revenue lost through rate reductions will be made up by a Border Adjustment Tax (BAT), which the House estimates to raise $1 trillion over ten years. Because it is a tax on imports, not exports, it is wildly unpopular with the retail industry and support for BAT seems to have weakened as time has gone on and there is vocal opposition in the Senate.

In any event, the Speaker is reported as saying that the failure of health care bill left the tax reform effort a billion dollars down. Given the antipathy toward the BAT, the shortfall may be greater than that and the challenge of producing a revenue neutral bill even greater.

Add to that recent comments by Treasury Secretary Mnuchin that the Administration would not necessarily follow the House Blueprint. Mnuchin indicated that he did not favor eliminating the corporate interest deduction as proposed in the House plan because of its impact on real estate and also indicated support for taxing carried interest as income. The White House has yet to signal unambiguous support for BAT.

The health care bill was at least in part a tax cut bill, and the Congress will now have to decide which of the provisions included in HR 1628 will make it into tax reform and how to offset that revenue loss as well as its other priorities. With less room to maneuver than expected, tax expenditures will almost certainly be a target.

The NMTC is one of a number of so-called "tax expenditures". Below is what the Blueprint says on tax expenditures:

***Problem #2: The Current Code Delivers Special Interest Subsidies and Crony Capitalism: The tax code is littered with hundreds of preferences and subsidies that pick winners and losers and create complexity. Instead of free-market competition that rewards success, our tax code directs resources to politically favored interests, creating a drag on economic growth and job creation. In fact, Washington encourages individuals and businesses to make investment decisions based not on the most promising new technologies and innovations, but instead on the promise of tax savings. Many of these tax preferences, sometimes referred to as “tax expenditures,” are special-interest giveaways that are masked as tax breaks instead of direct grants. For fiscal year 2016, such “spending” through the tax code amounts to more than $1.4 trillion, or almost three-fourths of the amount of revenue raised by the entire Federal income tax. When Washington picks winners and losers with the tax code, the American people ultimately pay higher tax rates and keep less of their hard-earned money.***

Our efforts are on track. The NMTC Coalition briefing in DC was well attended last week, and the reports from recent Hill meetings are positive. We are well ahead of past years in terms of gaining House cosponsors, and we expect to add more Senate cosponsors soon. There will be a lot more twists and turns along the way.

Stay tuned.

## Growing Support for H.R. 1098 and S. 384

The NMTC Extension Acts of 2017 (H.R. 1098 and S. 384) continue to add new cosponsors. Below, find the names of recent cosponsors along with their twitter handles. If you have a project in the state or district of any of these members of congress, take a moment to tweet a thank you to them. We suggest including a link to a project profile from back home.

**H.R. 1098:**

* Rep. Smucker, Lloyd [R-PA-16], cosponsored 03/07/2017, @RepSmucker
* Rep. Bilirakis, Gus M. [R-FL-12], cosponsored 03/07/2017, @RepGusBilirakis
* Rep. Young, Don [R-AK-At Large], cosponsored 03/07/2017, @repdonyoung
* Rep. Ellison, Keith [D-MN-5], cosponsored 03/07/2017, @keithellison
* Rep. DelBene, Suzan K. [D-WA-1], cosponsored 03/07/2017, @RepDelBene
* Rep. Diaz-Balart, Mario [R-FL-25], cosponsored 03/08/2017, @MarioDB
* Rep. Rooney, Thomas J. [R-FL-17], cosponsored 03/09/2017, @TomRooney
* Rep. Valadao, David G. [R-CA-21], cosponsored 03/15/2017, @RepDavidValadao
* Rep. Doyle, Michael F. [D-PA-14], cosponsored 03/15/2017, @USRepMikeDoyle
* Rep. Long, Billy [R-MO-7], cosponsored 03/24/2017, @USRepLong

**S. 384**

* Sen. Cochran, Thad [R-MS], cosponsored 03/08/2017,  @SenThadCochran
* Sen. Wicker, Roger F. [R-MS], cosponsored 03/21/2017, @RogerWicker

Please visit our website for a full list of cosponsors and a target list, and don't forget to follow the Coalition on twitter at @nmtccoalition.

* [NMTC Extension Legislation](http://org2.salsalabs.com/dia/track.jsp?v=2&c=Oeb2V7T5339xrdiHuub4O4z%2Fa8m3TQhx)