

XVI. Tax Reform under the Trump Administration

The election of the 45th President of the United States, Donald Trump, has brought forth new policies, including tax reform. The details of President Trump's reform have not been very specific in nature, but are focused on adjusting the individual tax bracket from seven tiers to three tiers: 10 percent, 25 percent, and 35 percent.¹⁶¹⁰ As for corporations, the focus is on the potential tax break of the top corporate tax, dropping from 35 percent to 15 percent, while allowing pass-through business owners (i.e., sole proprietorships, partnerships, and S corporations) to be taxed at a flat rate of 15 percent.¹⁶¹¹ Corporate taxes would also operate on a territorial tax system, in which corporations are only taxed on income earned within the specific country.¹⁶¹²

Businesses will also benefit from deductions for capital expenditure taxes.¹⁶¹³ Capital Expenditures (CapEx) are "assets that will have a long life such as property, plant, and equipment. In accounting terms, the money spent will not run through the income statement directly but will appear on the cash flow statement. Capital investments will be depreciated and the depreciation expense will run through the income statement over multiple periods."¹⁶¹⁴ In contrast, revenue expenditures are "costs that are related to specific revenue transactions or operating periods, such as the cost of goods sold or

¹⁶¹⁰ See Brittany De Lea, *Trump's Tax Plan: Large Increase in Personal Deductions, End of 'Death Tax'*, FOX BUS. (Apr. 26, 2017), <http://www.foxbusiness.com/politics/2017/04/26/trumps-tax-plan-large-increase-in-personal-deductions-end-death-tax.html> [<https://perma.cc/A94L-N5M3>]; *Tax Plan*, DONALD J. TRUMP, <https://www.donaldjtrump.com/policies/tax-plan> [perma.cc/6CE3-GGJ3].

¹⁶¹¹ See JIM NUNNS ET AL., TAX POLICY CTR., AN ANALYSIS OF DONALD TRUMP'S REVISED TAX PLAN 2 (2016), <http://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/2000924-an-analysis-of-donald-trumps-revised-tax-plan.pdf> [perma.cc/R7JC-VJYE]; Claire Boston, *Republican Tax Reform Seen Shrinking Corporate Bond Market*, BLOOMBERG (Dec. 16, 2016), <https://www.bloomberg.com/news/articles/2016-12-16/republican-tax-reform-seen-shrinking-u-s-corporate-bond-market> [perma.cc/6SLH-SUYF].

¹⁶¹² See De Lea, *supra* note 1.

¹⁶¹³ See *Tax Plan*, *supra* note 1.

¹⁶¹⁴ See *Definition of capital expenditure/spending*, FIN. TIMES LEXICON, <http://lexicon.ft.com/Term?term=capital-expenditure%2Fspending> [<https://perma.cc/R4UF-ZJN5>].

repairs and maintenance expense.”¹⁶¹⁵ According to the Internal Revenue Service, business capital expenses comprise three categories: business start-up costs, business assets, and improvements.¹⁶¹⁶ The CapEx of top companies in the United States has declined over the past few decades from 10 percent to 6.1 percent.¹⁶¹⁷ Many large-scale companies, such as Exxon Mobile Corp., Chevron Corp., Royal Dutch Shell PLC, BP PLC, ENI SpA and Total SA, had only a combined capital expenditure of \$100 billion in 2017, seeing a decline of almost 7 percent from 2016.¹⁶¹⁸ These declines in capital expenditure exist despite a \$60 billion dollar rise in cash flow from the operations of these companies.¹⁶¹⁹ The lack of investments by American companies on American soil and failing job prospects, which led to a shift in CapEx trends in the financial markets, inspired the Trump campaign to “bring back jobs.”¹⁶²⁰

According to the World Bank, the Trump tax cuts in the various categories will likely lead to increased global economic growth.¹⁶²¹ These cuts will most certainly come with an abundance

¹⁶¹⁵ See *The difference between capital expenditures and revenue expenditures*, ACCOUNTINGTOOLS (Apr. 25, 2015), <http://www.accountingtools.com/questions-and-answers/the-difference-between-capital-expenditures-and-revenue-expe.html> [<https://perma.cc/K7Q8-LYQV>].

¹⁶¹⁶ See *Deducting Business Expenses*, IRS (Aug. 11, 2016), <https://www.irs.gov/businesses/small-businesses-self-employed/deducting-business-expenses> [perma.cc/ERB9-8CTE] (“You must capitalize, rather than deduct, some costs. These costs are a part of your investment in your business and are called capital expenses.”).

¹⁶¹⁷ Robbin Willgesworth, *US Capex Looks Down but is Not Out*, FIN. TIMES (Nov. 4, 2016), <https://www.ft.com/content/7e107842-a209-11e6-aa83-bcb58d1d2193> [<https://perma.cc/H3G6-D2UL>].

¹⁶¹⁸ See Spencer Jakab, *Big Oil Loses Its Mojo*, WALL ST. J. (Feb. 7, 2017), <https://www.wsj.com/articles/big-oil-loses-its-mojo-1486491706> [<http://perma.cc/KW4Z-KKCP>].

¹⁶¹⁹ See *id.* (“That comes despite a 67%, or \$60 billion, rise in projected cash flow from operations at those companies this year, according to FactSet.”)

¹⁶²⁰ See Chris Bryant, *Donald Trump and the Gift of Capex*, BLOOMBERG (Dec. 19, 2016), <https://www.bloomberg.com/gadfly/articles/2016-12-19/even-trump-can-t-break-the-business-investment-drought> [perma.cc/52P8-948Z] (“A rebound would support productivity as well as growth and, in the U.S., it would help President-elect Donald Trump keep his promises to “bring back jobs.”).

¹⁶²¹ Ian Talley, *Trump’s proposed tax cuts could boost U.S. and global growth, says World Bank*, WALL ST. J. (Jan. 10, 2017), <https://www.wsj.com/articles/>

of challenges, which include finding a solution to balance a depleted government revenue, avoid government borrowing, and find a medium ground between the Trump tax plan and the House Republicans' own proposed tax plan.¹⁶²²

This article discusses the proposed changes by President Trump to the tax code that could impact individuals and corporations, while specifically focusing on capital expenditures and how the tax policy will work to increase investments by American companies in America. First, Section A explains tax regulations that are likely to be impacted under the Trump administration. Second, Section B focuses on Trump's proposed changes to the tax code. Section C describes the implications and overall impact of the implementation of Trump's proposed changes to the tax code.

A. Current Tax Regulations To Be Impacted

1. Individuals

The proposed changes to the tax code by the Trump administration for individuals include "significant tax relief—in the form of rate cuts, some new proposed incentives, and the repeal of some existing taxes—coupled with proposed base-broadening measures."¹⁶²³ The current tax code has a seven-tier bracket system for individuals and married couples, ranging from 0 percent marginal rates to just over 39 percent.¹⁶²⁴ Additionally, taxpayers, under the

trumps-proposed-tax-cuts-could-boost-u-s-and-global-growth-says-world-bank-1484082017 [<https://perma.cc/9MEW-6WEW>] ("Donald Trump's vowed tax cuts could goose global economic growth this year and next . . . fresh fuel for a world struggling with stagnant trade, weak investment and rising policy uncertainty.").

¹⁶²² See NUNNS ET AL., *supra* note 2 ("[I]ncreased government borrowing could push up interest rates and crowd out private investment, thereby offsetting some or all of the plan's positive effects on private investment unless federal spending was sharply reduced to offset the effect of the tax cuts on the deficit.").

¹⁶²³ See JON TRAUB ET AL., DELOITTE, TAX POLICY DECISIONS AHEAD IMPACT OF THE 2016 ELECTIONS 11 (2016), <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-trump-tax-policy-decisions-ahead.pdf> [perma.cc/FND8-P7W5].

¹⁶²⁴ See LARRY CAMPBELL ET AL., PwC, DECISION TIME FOR TAX REFORM 2017 TAX POLICY OUTLOOK 43 (2017), <https://www.pwc.com/us/en/tax-services/assets/2017-tax-policy-outlook-sml.pdf> [<https://perma.cc/C8FB-MFSB>]; I.R.C.

Patient Protection and Affordable Care Act, are required to pay 0.9 percent and 3.8 percent net investment income tax, depending on their Average Gross Income (AGI).¹⁶²⁵ Furthermore, the estate and gift tax remains at 40 percent for the top rate with an exemption of \$5.45 million per spouse (this rate changes annually due to inflation).¹⁶²⁶ A major advantage for taxpayers are itemized deductions, which are deductions on various categories of expenses, such as mortgage interests, charitable contributions, and state and local taxes, subtracted from an individual's tax filings.¹⁶²⁷ These deductions have a high threshold but they cost the government almost \$200 billion in revenue in 2017.¹⁶²⁸ The current tax code is full of complicated provisions,¹⁶²⁹ and the government has raised the top tax rates over the years and brought the "effective tax rate down,"¹⁶³⁰ causing a lack of fairness within the tax system.

2. Corporations and Business

President Trump and his administration set forth plans for significant changes the corporate tax code, as they believe the current code is harmful to companies investing in the United States.¹⁶³¹

§ 1 (2014).

¹⁶²⁵ See TRAUB ET AL., *supra* note 14, at 23.

¹⁶²⁶ See *id.* at 22.

¹⁶²⁷ Richard Rubin, *Deduction Limits Pose Test for Donald Trump's Tax-Cut Plan*, WALL ST. J. (Nov. 30, 2016), <http://www.wsj.com/articles/deduction-limits-pose-test-for-donald-trumps-tax-cut-plan-1480555670> [perma.cc/C44T-NBUR].

¹⁶²⁸ See *id.*

¹⁶²⁹ See, e.g., I.R.C. §§ 3, 11, 15, 55 (2014) (detailing regulations related to income taxes, corporate taxes, alternative minimum taxes, and the effect of changes in taxes.).

¹⁶³⁰ See John Fund, *First Big Test for Trump is his Tax and Budget Plan*, FOX NEWS (Nov. 9, 2016), <http://www.foxnews.com/opinion/2016/11/09/first-big-test-for-trump-is-his-tax-and-budget-plan.html> [perma.cc/7CTR-RZBM] ("The tax code we now have is a bewildering thicket of provisions created by politicians who for three generations have tended to want to raise top tax rates to appease class warriors while bringing the effective tax rate down through myriad tax handouts.").

¹⁶³¹ See TRAUB ET AL., *supra* note 14, at 7 ("[W]hen he delivered his first economic address as the GOP presidential nominee, Trump told the Detroit Economic Club that the current US tax laws "punish companies for making products in America" and promised that his administration would promote

Within one year of the financial crisis of 2008, financial markets saw a decline in investments by 17 percent.¹⁶³² Even with extremely low interest levels, many companies chose to hoard cash or make safe investments.¹⁶³³ As recent as the third quarter of 2016, capital spending saw a decline of 8.9 percent.¹⁶³⁴ Overall, capital expenditure on new factories and equipment has been stagnant for a long period.¹⁶³⁵

The current tax code for corporations and businesses lays out a top corporate rate of 35 percent, and 39.6 percent¹⁶³⁶ for pass-through corporations, companies from which the owner pays taxes derived from the company on his or her personal taxes.¹⁶³⁷ In terms of capital expenditure, depreciation tax (i.e., the amount a business can take off of its taxes when an asset has lost value during a certain period of time) is generally recoverable,¹⁶³⁸ while interest expenses¹⁶³⁹ (i.e., the interest paid by businesses for borrowed money) are generally deductible.¹⁶⁴⁰ Furthermore, business taxes related to research credit, energy credit, and economic development and infrastructure incentives having varying limits depending on expenditures of a

tax policies—centered on lower rates and simplification—that he characterized as “geared towards keeping jobs and wealth inside the United States.”)¹⁶³² Theo Francis & Vipal Monga, *Businesses Ready to Ramp Up Investment*, WALL ST. J., (Jan. 2, 2017), <https://www.wsj.com/articles/businesses-ramp-up-investment-despite-rising-rates-1483372142> [<https://perma.cc/P6EN-GEC2>].

¹⁶³³ *See id.*

¹⁶³⁴ *See id.*

¹⁶³⁵ *Id.*

¹⁶³⁶ *See* CAMPBELL ET AL., *supra* note 15, at 43.

¹⁶³⁷ *See Pass-through taxation*, CORNELL U. L. SCH. LEGAL INFO. INST., https://www.law.cornell.edu/wex/pass-through_taxation [<https://perma.cc/6EYF-RDTA>] (“Pass through taxation applies to sole proprietorships, partnerships, and S-Corporations. This is opposed to traditional, or C-Corporations, where the company itself pays corporate taxes on income the corporation derives”).

¹⁶³⁸ *Depreciation Allowance*, FIN. TIMES LEXICON, <http://lexicon.ft.com/Term?term=depreciation-allowance> [<https://perma.cc/8RWG-H63B>] (“An amount that can be taken off a business’s profit figure when calculating tax, to allow for the fact that an asset has lost part of its value during a particular period of time.”).

¹⁶³⁹ *Definition of interest expense*, FIN. TIMES LEXICON, <http://lexicon.ft.com/Term?term=interest-expense> [<https://perma.cc/5G7Z-YNQB>].

¹⁶⁴⁰ *See* TRAUB ET AL., *supra* note 14, at 18–19.

business.¹⁶⁴¹ The reduction of these taxes is needed in order to provide a fundamental change in U.S. economic and manufacturing growth.¹⁶⁴² These changes will help create the optimism that swings the pendulum of low-investments during a downturn, to increased risk-taking and spending on assets needed for businesses to stay competitive.¹⁶⁴³

B. Proposed Changes to the Tax Code Under the Trump Administration

1. Individuals

The Trump administration intends to change the tax code to lower tax rates for businesses and individuals.¹⁶⁴⁴ One of the significant proposed changes during the campaign period was to “reduce the number of individual income tax brackets from the current seven to three:”¹⁶⁴⁵ 10, 25, and 35 percent.¹⁶⁴⁶ While there would be a reduction in the total number of brackets and various percentages of taxes, “[b]ased on the entry points for these brackets, certain taxpayers could find their ordinary income taxed at a higher rate under Trump’s plan than under current law.”¹⁶⁴⁷ The tax cuts will benefit most taxpayers, but the wealthy are likely to see the largest cuts in dollar amount and percentage,¹⁶⁴⁸ while people receiving bottom fifth of income would see a minor change.¹⁶⁴⁹ Additional tax saving¹⁶⁵⁰ would occur though

¹⁶⁴¹ *See id.*

¹⁶⁴² *See* Fund, *supra* note 21 (“If we slash regulations, tap into our bountiful domestic energy reserves and reduce business taxes while avoiding a trade war we could see an explosion of economic growth.”).

¹⁶⁴³ *See* Francis & Monga, *supra* note 23.

¹⁶⁴⁴ *See* TRAUB ET AL., *supra* note 14, at 5 (“[T]he changes he is likely to propose once in office largely reflect the Republican Party orthodoxy of lowering tax rates for business and individual taxpayers.”).

¹⁶⁴⁵ NUNNS ET AL. *supra* note 2, at 3.

¹⁶⁴⁶ *See* De Lea, *supra* note 1. (Describing the changes in proposed tax reform from pre-election to most updated outline released by the administration).

¹⁶⁴⁷ *See* TRAUB ET AL., *supra* note 14, at 11.

¹⁶⁴⁸ *See* NUNNS ET AL. *supra* note 2, at 1 (“[T]he highest-income taxpayers (0.1 percent of the population, or those with incomes over \$3.7 million in 2016 dollars) would experience an average tax cut of nearly \$1.1 million, over 14 percent of after-tax income.”).

¹⁶⁴⁹ *See id.* (“[T]he poorest fifth of households would see their taxes go down an average of \$110, or 0.8 percent of their after-tax income.”).

¹⁶⁵⁰ *See* Jeanne Sahadi, *Trump Calls for Dramatic Tax Cuts for Individuals and*

the repeal of Patient Protection and Affordable Care Act (3.8 percent on investment income tax and 0.9 percent on certain individuals with large AGI).¹⁶⁵¹ The estate and gift tax will be repealed with a \$5 million exemption on any capital gains held until death.¹⁶⁵²

Furthermore, pre-election Trump had proposed, “the Trump Plan will cap itemized deductions at \$200,000 for Married-Joint filers or \$100,000 for Single filers.”¹⁶⁵³ The recent update did not detail much on itemized deductions, but rather stated that standard deductions for individuals would increase to \$12,600 from \$6,300 and for married filers to \$24,000 from \$12,700.¹⁶⁵⁴ The Trump tax plan for individuals will be a significant change from the previous administrations’ tax policies and put money back in the pockets of most individual taxpayers.¹⁶⁵⁵

2. Corporations and Businesses

The biggest change for corporations and businesses would be the proposed tax reduction for the top corporate rate from 35 to 15 percent.¹⁶⁵⁶ The corporate pass-through tax would be reduced to 15 percent as well.¹⁶⁵⁷ Under the Trump tax code, any carried interest for businesses would be taxed at ordinary rates.¹⁶⁵⁸

Businesses, CNN MONEY (Apr. 26, 2017), <http://money.cnn.com/2017/04/26/news/economy/trump-tax-plan/index.html> [<https://perma.cc/4ZC6-94EZ>].

¹⁶⁵¹ *Tax Plan*, *supra* note 1.

¹⁶⁵² See CAMPBELL ET AL., *supra* note 15, at 14 (“President Trump has proposed repealing the estate and gift tax, but capital gains on assets held until death and valued at more than \$10 million – assumed to apply per couple – would be subject to tax, potentially with an exemption for small businesses and family farms.”).

¹⁶⁵³ *Tax Plan*, *supra* note 1.

¹⁶⁵⁴ See De Lea, *supra* note 1.

¹⁶⁵⁵ See NUNNS ET AL. *supra* note 2, at 1 (“Overall, the plan would cut the average tax bill in 2017 by \$2,940, increasing after-tax income by 4.1 percent.”); Fund, *supra* note 21 (“[N]othing would represent a greater break from the past than passing his tax and budget plan.”).

¹⁶⁵⁶ CAMPBELL ET AL., *supra* note 15, at 14.

¹⁶⁵⁷ See *id.* (“Under his plan, owners of sole proprietorships, partnerships, S corporations, and other pass-through businesses could elect to be taxed on their pass-through business income at the 15-percent corporate rate, rather than individual tax rates.”).

¹⁶⁵⁸ *Id.*

Capital expenditure benefits for firms engaged in U.S. manufacturing and activity would include the ability to deduct the full cost of investment in the first year.¹⁶⁵⁹ However, exercising this option would cause companies to lose their ability to deduct interest expense in the future.¹⁶⁶⁰ Klockner & Co., a steel and metal company that generates 40 percent of its sales from the sites in the United States, is expected to increase spending in the upcoming year.¹⁶⁶¹ GameStop, a video games and consumer electronics company, which had built up cash on its balance sheets, has started to reverse its strategy with capital spending reaching \$160 million in 2016, with more investment likely to come.¹⁶⁶²

Furthermore, Republicans have been pushing forward a “border adjustment tax” (BAT).¹⁶⁶³ This tax would exclude revenue from exported items and prevent imported items from being deducted from taxes as costs.¹⁶⁶⁴ President Trump had praised the BAT tax, proposed by Speaker of the House Paul Ryan, stating, “[i]t could lead to a lot more jobs in the United States.”¹⁶⁶⁵ Earlier in the year, President Trump was not fully supportive of this plan, and instead had proposed a simpler 35 percent tax on products produced outside of the United States.¹⁶⁶⁶ Secretary of Treasury Steve Mnuchin denied the Trump administration was in support of BAT the way it was currently presented by the House Republicans.¹⁶⁶⁷ The BAT has received both

¹⁶⁵⁹ See TRAUB ET AL., *supra* note 14, at 8 (“[F]irms engaged in US manufacturing could elect to deduct the full cost of their capital investments in year one (a narrower proposal than the House GOP blueprint, which does not limit the proposal to a particular industry).”).

¹⁶⁶⁰ *See id.*

¹⁶⁶¹ Francis & Monga, *supra* note 23.

¹⁶⁶² *Id.*

¹⁶⁶³ See Nicholas Sargen, Opinion, *Trump’s Tax Plan Raises Stakes for Corporate America*, MARKETWATCH (Feb. 14, 2017), <http://www.marketwatch.com/story/trumps-phenomenal-tax-plan-raises-stakes-for-corporate-america-2017-02-13> [perma.cc/8HFL-8PB2].

¹⁶⁶⁴ *Id.*

¹⁶⁶⁵ Steve Holland, *Exclusive: Trump says Republican border tax could boost U.S. jobs*, REUTERS (Feb. 24, 2017), <http://www.reuters.com/article/us-usa-trump-tax-exclusive-idUSKBN1622J5> [https://perma.cc/G2AK-7KBC].

¹⁶⁶⁶ *See id.*

¹⁶⁶⁷ See Sahadi, *supra* note 41 (“We don’t think it works in its current form, and we will have discussions with [House tax writers] about revisions.”).

support and criticism from U.S. companies.¹⁶⁶⁸ Boeing and Pzfier, which are large exporters, have shown support as they would not be taxed on their exports.¹⁶⁶⁹ Auto-zone and Wal-Mart, companies that are large importers, oppose this tax because it would detrimentally increase the cost of products, as import tax would increase the cost of clothes, car parts, and even avocados.¹⁶⁷⁰

C. Implications of the Trump Tax Plan

1. Individuals

The initial analysis of Trump's revised tax proposal demonstrates that not only would there be a tax reduction for average families and wage earners, but also higher wages and job creation.¹⁶⁷¹ This Trump tax plan is likely to raise earnings by 6 percent.¹⁶⁷² The tax cuts along with the increased capital amongst workers will create an incentive to "work, save, and invest," which will lead to more efficiency and growth of the economy.¹⁶⁷³

In terms of federal revenue, the largest impact of individual tax cuts would be felt by the cuts to estate and gift taxes and taxes to capital gains held at death costing nearly \$174 billion in net revenue.¹⁶⁷⁴ Within the next decade, the Trump tax plan would reduce federal revenues by \$6.2 trillion, while adding approximately \$7.2 trillion dollars to the national debt.¹⁶⁷⁵

¹⁶⁶⁸ See John Ydstie, *What We Know About The Trump, House GOP Tax Plans So Far*, NPR (Feb. 28 2017) <http://www.npr.org/2017/02/28/517523714/what-we-know-about-the-trump-house-gop-tax-plans-so-far> [<https://perma.cc/9A2G-SW3B>].

¹⁶⁶⁹ See *id.*

¹⁶⁷⁰ De Lea, *supra* note 1

¹⁶⁷¹ *Id.*

¹⁶⁷² See *id.* ("[F]or workers earning \$50,000 a year, that would be a substantial \$3,000 annual wage boost.")

¹⁶⁷³ NUNNS ET AL. *supra* note 2, at 2.

¹⁶⁷⁴ *Id.*

¹⁶⁷⁵ Howard Gleckman, *Trump Tax Plan Would Add Trillions To Debt; Clinton Plan Would Trim Deficits, Hike Taxes On Wealthy*, FORBES (Oct. 11, 2016), <https://www.forbes.com/sites/beltway/2016/10/11/trump-tax-plan-would-add-trillions-to-the-debt-clinton-plan-would-trim-deficits-tax-the-wealthy/#3a93b3c012b2> [<https://perma.cc/XWQ5-74V6>].

2. Corporations and Businesses

According to the Tax Policy Center, the Trump tax plan's largest impact, from corporate and business tax cuts to the federal revenue, would be felt by the reduction in corporate taxes (from 35 to 15 percent), pass-through business taxes (flat rate 15 percent), and capital expenditures benefits.¹⁶⁷⁶ Pass-through business taxes would need to be evaluated on an anti-abuse spectrum, as high wage earners may attempt to receive income as a pass-through business, in order to be taxed at a flat rate of 15 percent.¹⁶⁷⁷

Furthermore, implications of BAT would cause the cost of goods sold to rise, as the companies producing and importing from abroad would pass down the tax cost to the consumers.¹⁶⁷⁸ Many large corporations, such as Wal-mart, Target, Best Buy, Nike, Gap, and others, have started to lobby against the proposed border adjustment tax, as it is likely to cause loss of jobs and loss of profits.¹⁶⁷⁹ Those that support the BAT argue that the dollar will increase in value to offset any losses.¹⁶⁸⁰ The Trump tax plan and House Republican's BAT proposal are not only stray from a free trade ideology, but also harm international trade.¹⁶⁸¹ The BAT increases the value of the dollar, but decreases the value of other foreign assets.¹⁶⁸² Foreign countries would be harmed, as their debts in U.S. dollar would increase, as their local currency decreased in value.¹⁶⁸³

¹⁶⁷⁶ NUNNS ET AL. *supra* note 2, at 6 (“About three-fourths of the revenue loss would come from business tax provisions.”).

¹⁶⁷⁷ See TRAUB ET AL., *supra* note 14, at 7.

¹⁶⁷⁸ See Sargen, *supra* note 54 (“The president failed to mention that the American consumer would ultimately pay for the duty: Businesses, after all, would merely pass along the cost increase to the final purchaser.”).

¹⁶⁷⁹ See Barney Jopson et al., *Trump and the Tax Plan Threatening to Split Corporate America*, FIN. TIMES (Feb. 13, 2017), <https://www.ft.com/content/008532fa-ef7a-11e6-ba01-119a44939bb6> [perma.cc/VHY8-MPGD].

¹⁶⁸⁰ See *id.*

¹⁶⁸¹ See Sargen, *supra* note 54 (“[T] Trumpian (mercantilist) world [is one] in which trade is a zero-sum game, and the losers are countries that run deficits.”).

¹⁶⁸² See KYLE POMERLEAU, TAX FOUND., UNDERSTANDING THE HOUSE GOP BORDER ADJUSTMENT (2017), <https://taxfoundation.org/understanding-house-gop-border-adjustment> [https://perma.cc/X5DL-C8CX].

¹⁶⁸³ See *id.* (“Another consequence of dollar appreciation is that debts denominated in U.S. dollars will become more expensive in foreign countries. This

In order to balance out the negative impacts, President Trump hopes to reduce government spending by one cent on the dollar.¹⁶⁸⁴ Trump's first budget proposal showcases approximately \$54 billion in budget cuts from various parts of the federal government and programs.¹⁶⁸⁵ The President hopes to balance lost revenue due to the tax cuts by utilizing federal land for energy purposes, potentially creating a trillion dollars in revenue.¹⁶⁸⁶ He hopes to tap into shale, oil, and natural gas reserves on U.S. land.¹⁶⁸⁷ Additionally, the cap on itemized deductions, \$200,000 for Married-Joint filers or \$100,000 for Single filers, will create revenue of \$559 billion dollars over the period of a decade.¹⁶⁸⁸ If all remains balanced and true, the United States could see a growth of 0.3 percent this year and 0.8 percent next year.¹⁶⁸⁹

D. Conclusion

The Trump tax plan will be a test for President Trump's administration as Americans are relying heavily on changes in the current tax policy to benefit the economy.¹⁶⁹⁰ Businesses and individuals alike may take a wait-and-see approach for now,¹⁶⁹¹ but many executives are ready to invest on American soil with the idea that the Trump administration will bring forth rollbacks and tax breaks.¹⁶⁹² A Republican-controlled Congress will aid Trump's tax policy changes,¹⁶⁹³ although recently, it failed to repeal the Affordable

is because a foreign country or business would need to raise money in the local currency and convert it into more expensive dollars to pay the debt.”).

¹⁶⁸⁴ See Fund, *supra* note 21.

¹⁶⁸⁵ See Tal Kopen, *Here's What Trump's Budget Proposes to Cut*, CNN (Mar. 16, 2017) <http://www.cnn.com/2017/03/16/politics/trump-budget-cuts/index.html> [<https://perma.cc/LWV5-4FY4>].

¹⁶⁸⁶ See Fund, *supra* note 21.

¹⁶⁸⁷ Elizabeth Shogren, *Understanding Donald Trump's Plans For Oil Drilling, Federal Lands, And Clean Energy*, NEWSWEEK (Jan. 24, 2017), <http://www.newsweek.com/trump-energy-oil-environmental-plan-547642> [<https://perma.cc/NT4D-H2ND>].

¹⁶⁸⁸ Rubin, *supra* note 18.

¹⁶⁸⁹ Talley, *supra* note 12.

¹⁶⁹⁰ See Fund, *supra* note 21.

¹⁶⁹¹ See Bryant, *supra* note 11.

¹⁶⁹² See Francis & Monga, *supra* note 23 (“Executives have grown more optimistic about growth.”).

¹⁶⁹³ See TRAUB ET AL., *supra* note 14, at 14.

Care Act, which would have created tax savings for individuals.¹⁶⁹⁴ The House Republicans have their own proposals similar to that of Trump, envisioning tax cuts across the board, but they differ in the details.¹⁶⁹⁵ The House Republicans to focus on reducing corporate taxes, though not necessarily below 20 percent, to incentivize companies to produce products within the United States without adding to the deficit.¹⁶⁹⁶ The House Republicans and President Trump will need to work together to make changes to the tax code that are best for the economy and in line with deficit neutrality.¹⁶⁹⁷

Rahim Ibrahim¹⁶⁹⁸

¹⁶⁹⁴ See Robert Pear et al., *In Major Defeat for Trump, Push to Repeal Health Law Fails*, N.Y. TIMES (Mar. 24, 2017), <https://www.nytimes.com/2017/03/24/us/politics/health-care-affordable-care-act.html> [<https://perma.cc/B7A6-UWKY>] (“House Republican leaders, facing a revolt among conservatives and moderates in their ranks, pulled legislation to repeal the Affordable Care Act from consideration on the House floor Friday in a major defeat for President Trump on the first legislative showdown of his presidency.”)

¹⁶⁹⁵ See TRAUB ET AL., *supra* note 14, at 14 (“The tax reform blueprint released in June of this year by Speaker Paul Ryan, R-Wis., and Ways and Means Committee Chairman Kevin Brady, R-Texas, is similar to Trump’s plan in its calls for significant rate cuts for business and individual taxpayers.”).

¹⁶⁹⁶ See Sargen, *supra* note 54.

¹⁶⁹⁷ See *id.*

¹⁶⁹⁸ Student, Boston University School of Law (L.L.M. 2018).