

# Tax Reform Today

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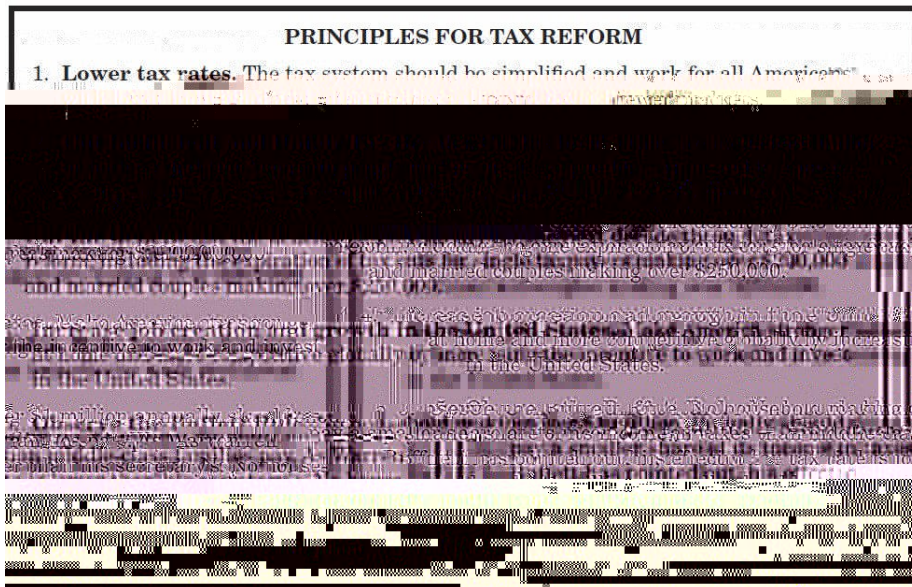
\* a +, , - , . -

## Part I - Tax Reform from the Administrative Branch:

### Tax Proposals and Frameworks from President Obama's Budget, Treasury, and the Joint Committee on Taxation on Fiscal Responsibility and Reform

The categories used in the following table are from the Administration's 2010, 2011, and 2012 Green Book. The proposals listed for PE4A53 and 36 Efficiency Commission are not necessarily ones that President Obama has advocated, although these groups were derived assembled by him. The PE4A5 report primarily analyzes various proposals rather than advocates for any. For all but the Green Book and PE4A5, some assumptions were made due to lack of details. For example, the 2010 business tax reform framework proposals to eliminate oil and gas tax refer to 1990 age. The table lists two examples. In treating the latter, it was assumed that the intent was to eliminate all the items listed for reform in the 2010, 2011, and 2012 that was also released in 2010, 2011, and 2012. The proposals listed are mostly taken verbatim from the associated report. There are more than one revenue estimate available, the most recent one is provided.

The first column > 3 "Principles" refers to the five Principles for Tax Reform that President Obama released in September 2010, reproduced below:



Additional information about the reports and links to each are included at the end of the table.

7 ffife of \* anagement and 5udget 97 \* 5; [Living Within Our Means and Investing in the Future - The President's Plan for Economic Growth and Deficit Reduction](#), September 2010, page 70.



Principle	Proposals:	Reports:	'reen ook	(o s Act and )eficit				
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Principle	Reports:	'reen ook	(o s Act and )eficit Red#ct ion	B#siness Tax Reform	P\$RAB	)eficit &ommis sion	Reven#e estimate over *+ years ,if availa le- ,millions-
	Proposal:						
.	4e"eal " !aseAout of itemi8ed dedu&tions for !ig! in&ome tax"a ers					F	
.	4e"eal " !aseAout of "ersonal exem"tions for !ig! in&ome tax"a ers					F	
<b>" O ) IF . \$1TAT\$ A%) ' IFT TA / PRO511IO%1</b>							
	4estore estate and gift taxes and exem"tions to -, , : levels.	F	F				G . . I, J : J ..
	4equire &onsisten& in value for transfer and in&ome tax "ur"oses	F					G-, , . ?
	* odif rules on valuation dis&ounts	F					G . I . , J :
	4equire a minimum term for Grantor 4etained Annuity Trusts 9G4ATs;	F					G+, ++?
	Eimit duration of GenerationA\$2i" "ing Transfer 9GST; Tax exem"tion	F					Negligi 'le
	Coordinate &ertain in&ome and transfer tax rules a" "li&a 'le to grantor trusts	F					G: . ,
	Extend t!e lien on estate tax deferrals "rovided under Se&tion @ . @@	F					G . @ ,
<b>R\$FOR " 2&lt;1&lt;1%T\$R%ATIO%A0 TA / 1 . 1T\$ "</b>							
-	6efer dedu&tion of interest ex"ense related to deferred in&ome of foreign su 'sidiaries	F	F	F			G+J, -H+
-	6etermine t!e 0oreign Tax Credit on a "ooling 'asis	F	F				G@ , , I+H
-	Tax &urrentl ex&ess returns asso&iated %it! transfers of intangi 'les offs!ore	F	F	F			G-- , : J+

- T!e = !ite Louse, ["lue \)rint for an \\*merica "uilt to Last](#); Januar - , . - , "ages J A I.
- T!e National E&onomi& Coun&il, T!e = !ite Louse,

Principle	Reports:	'reen ook	(o s Act and )eficit Red#ct ion	B#siness Tax Reform	P\$RAB	)eficit &omms sion	Reven#e estimate over *+ years ,if availa le- ,millions-
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-	Eimit s!ifting of in&ome t!roug! intangi'le "ro"ert transfers	F	F				G.,@-+
-	6isallo% t!e dedu&tion for nonAtaxed reinsuran&e "remiums "aid to affiliates	F					G-.??:
-	Eimit earnings stri""ing ' ex"atriated entities	F	F				G?,?+-
-	* odif tax rules for dual &a"ait tax"a ers	F	FAA&t				G.,,J-?
-	Tax gain from t!e sale of a "artners!i" interest on loo2At!roug! 'asis	F					G-,H@.
-	Prevent use of leveraged distri'utions from related foreign &or"orations to avoid dividend treatment	F					G+,+++
-	Extend Se&tion ++I9!;9.@; to &ertain asset a&quisitions	F					G:@,
-	4remove foreign taxes from a Se&tion :,- &or"oration's foreign tax "ool %!en earnings are eliminated	F					G+I:
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Principle	Reports: Proposal:	'reen ook	(o s Act and )eficit Red#ct ion	B#siness Tax Reform	P\$RAB	)eficit &ommis sion	Reven#e estimate over *+ years ,if availa le- ,millions-
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Principle	Reports: Proposal:	'reen ook	(o s Act and )eficit Red#ct ion	B#siness Tax Reform	P\$RAB	)eficit &ommis sion	Reven#e estimate over *+ years ,if availa le- ,millions-
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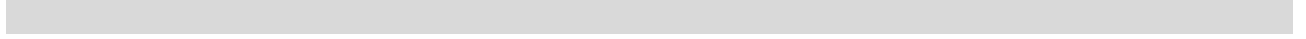
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## The Administration's Reports

- 'reen ook# [General E-\)lanations of the \\*dministration/s /evenue Proposals](#) for 01 -, .+, 01 -, .-, 01 -, . . 93Green 'oo23;. T!e &olun in t!e &!&ns "and on t!e 01 -, .+ Green'oo2. Additional information on t!e 01 -, .+ "ro"oals is "rovi&d in a report relat& to President 7 'ama's Januar -, .- StateofAt!eAUnion s"t!& (ue)rint fo \*n \*me ca "ut to east, . . ?\$ - 9I "ages;. GL@ #@W
- atG&P 'A&t and @) Pfi&id" and #evide&n Se"tem'ev&e t!e 7ffice of Management and 5udget 97 N5; released an I, "age re& # [Living Within Our Means and Investing in the Future - The President's Plan for Economic Growth and Deficit Reduction](#). This re"ort la's out a plan to "a for President 7 'ama's "ro"osed Ameri&an Jo's A&t and allo%ing for net defi&it reduction of G+ trillion over ten ears %!i&! President 7 'ama !o"ed t!e [Joint Sele&t Committee on 6efi&it 4edu&tion](#) %ould in&or"orate into t!eir "ro"osal for !o% to redu&e t!e defi&it. President 7 'ama's [Ameri&an Jo's A&t "ro"osal](#), a . . : "age "ro"osal, in&luded tax &TGNo"s"a, . . , !äin&f&. T!o&t vI "ant 7ge reen I'Fe gF gav"sto



The - , , [34oadma](#)3 "ro"osed ' Congressman Paul 4 an in&luded some elements of t!e flat tax. Xe "rovisions of t!e "ro"osal [9L.4. ?H-:](#) 9. . . t! Congress;, 4oadma" for Ameri&a/s Outure A&t of - , . , ;#

a.







- Does the "propositional standard" against "principles of good tax policy" as equity, neutrality, simplicity, transparency and economic efficiency; N<sup>H</sup> = here are improvements we made
- What is missing from the reform? For example, does it change the treatment of a percentage deduction but not address other classification rules?

Common overlooked areas of tax reform include corporate integration, depreciation/amortization reform, other classification, retirement plan reform for equity and simplicity and to better encourage savings, estate reform, improved use of technology for administration, and reducing the tax gap.

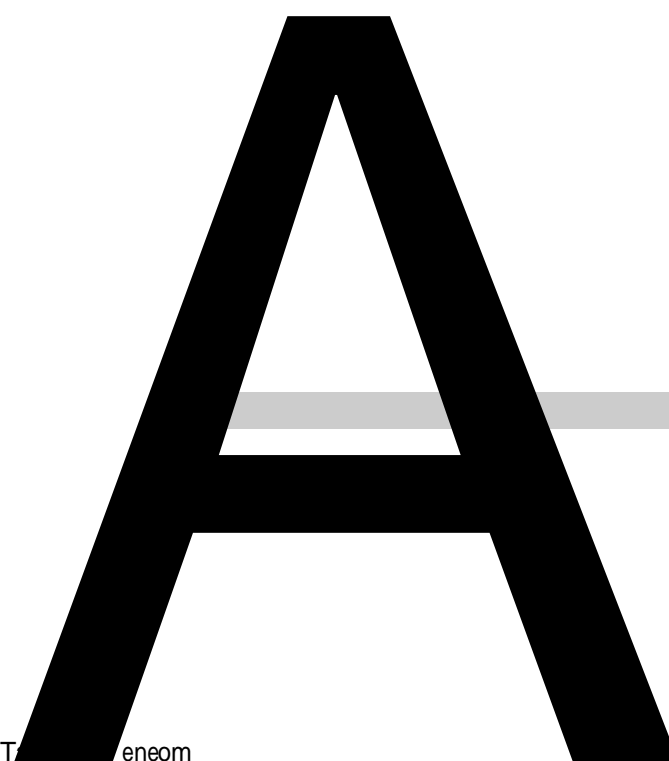
- If intended to be a comprehensive reform, does it address taxes on the bond and income taxes?
- Are sufficient hearings held to obtain and evaluate input from all stakeholders?

To evaluate the effects on a particular taxpayer

The author has created a fee schedule

1< ??? A Bipartisan Tax Fairness and Simplification Act

Taxable income	G.H.,,.,,
Y Qualified dividends	-,.,.,
Y Capital gains	?,.,.,
Y Miscellaneous itemized deduction amount	AA
A Standard deduction adjustment (G.I.,?, , if * OJ, G.?, , , if LL, and G:,-, , if single; if claimed instead of itemized deductions (Or the Smiths, an adjustment is made here because the S. J-J standard deduction (G+,.,.,, ,; is greater than their itemized deductions.)	A J, : , ,
Y Amounts excluded for#	
Certain employer achievement awards (TJ?%&;	AA
Group-term life insurance for employers (TJ ;;	AA
Meals and lodging furnished for convenience of employer (T. . . ;;	AA
Cafeteria plan benefits (T. +H;	AA
Orphan benefits (T. +- other than a;9H; for qualified transportation benefit;	@,.,.,
Earned income of U.S. citizens or residents living abroad (T. . . ;;	AA
Certain allowances (T. - Br Earned	AA



- [President Obama's Business Tax Reform Plan](#),