Gary Cohn: Tax Reform Plan Is ‘Once-in-a-Generation Opportunity’

President Donald Trump’s National Economic Council director, Gary Cohn, and Secretary of the Treasury Steve Mnuchin unveiled the administration’s sweeping plan to reform federal taxes at the White House on Wednesday afternoon.

Here are the key points of the plan:

the seven current individual tax rates will be reduced to three: 10 percent, 25 percent and 35 percent;

the standard deduction will be doubled, which will mean the first $24,000 of income will be tax-free;

the estate tax will be eliminated;

the alternative minimum tax will be eliminated;

the corporate tax rate will be reduced to 15 percent and

small and medium-sized businesses will be able to benefit from the lower corporate tax rate.

Mnuchin said the plan being unveiled Wednesday was a “statement of principles” as the president begins working with Congress, which must come up with the final piece of legislation that will go up for a vote. He said the proposal “pays for itself”—a colloquial term used in Washington, D.C., to mean limiting the growth of the federal debt—by spurring economic growth and job creation, which he measured in the trillions of dollars.

Cohn said a more detailed summary of the tax reform plan will be coming in the weeks ahead. He briefed the media first and provided some background on the individual income tax plan:

> We have a once-in-a-generation opportunity to do something really big. President Trump has made tax reform a priority, and we have a Republican Congress that wants to get it done. And this is something that, quite honestly, I hope the Democrats would support, too, because it’s good for the American people. The president is going to seize this opportunity by leading the most significant tax reform legislation since 1986, and one of the biggest tax cuts in the American history.
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> We’ve been working on this for a long time. We’ve had great meetings. We had a great meeting last night with the leadership of the House and the Senate. We have agreed on many of the important principles of tax reform. We look forward to working together with the House and the Senate, very closely, in the weeks ahead.
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> The president has focused on three things since his campaign: job creation, economic growth and helping the low- and middle-income families who have been left behind by this economy. He understands there are a lot of people in this country that feel like they work hard, and they just cannot get ahead. They are sick of turning their paychecks over to Washington and having no idea of how those dollars are spent. They are frustrated by a tax code that is so complicated they can’t even do their own taxes.
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> That’s why tax reform is such a big priority to this president. He cares about making the economy work better for all American people.
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> Here’s a little history. When President Kennedy cut taxes in early 1960, the top rate of personal income was over 90 percent, and there was rampant tax avoidance. And then, 20 years later, President Reagan took rates down to 28 percent for individuals. Since then, rates have been creeping back

up and more loopholes and special interest tax breaks have made their way back into the tax code, disadvantaging average Americans.

And then, on the business side, when President Reagan left office in 1988, the corporate tax rate was 34 percent, and it hasn’t changed much since. For the last 25 years, other countries have been aggressively cutting their tax rates and moving to a territorial system in order to attract business. And the U.S. has done none of that. In 2017, we are still stuck with a 1988 corporate tax. That’s why we’re now one of the least-competitive countries in the developed world when it comes to corporate tax.

So tax reform is long overdue. We are going to cut taxes for businesses to make them competitive, and we’re going to cut taxes for the American people, especially low- and middle-income families.

Today I’m going to outline the principles we have put in place for personal tax reform, and then I’m going to hand it over to Secretary Mnuchin to talk about the business side.

First, here are a few statistics for you on the individual side. In 1935, we had a one-page tax form consisting of 34 lines with two pages of instructions. Today the basic 1040 form has 79 lines and 211 pages of instructions. Instead of a single form, the IRS now has 199 tax forms on the individual side of our tax code. Taxpayers spend nearly 7 billion hours complying with these tax codes every year. And nearly 90 percent of taxpayers need some help in filing their taxes.

We are going to cut taxes and simplify the tax code by taking the current seven tax brackets we have today and reducing them to only three brackets: a 10 percent bracket, a 25 percent bracket, and a 35 percent bracket. We’re going to double the standard deduction so that a married couple won’t pay any taxes on the first $24,000 of income they earn. So, in essence, we are creating a zero tax rate—yes, a zero tax rate—for the first $24,000 that a couple earns.

The largest standard deduction also leads to simplification because far fewer taxpayers will need to itemize, which means their tax form can go back—yes —to that one simple page that I talked about earlier.

Families in this country will also benefit from tax relief to help them with child and dependent care expenses. We are going to repeal the alternative minimum tax. The AMT creates significant complications and burdens which require taxpayers to do their taxes twice to see which is higher. That makes no sense, and we should have one simple tax code.

As we all know, job creation and economic growth is the top priority of the administration. Nothing drives economic growth like capital investment. Therefore, we are going to return the top capital gains tax rate and dividend rate to 20 percent, repealing the harmful 3.8 percent Obamacare tax on dividends and capital gains. That tax has been a direct hit on investment income and small business owners.

We’re going to repeal the death tax. The threat of being hit by the death tax leaves small business owners and farmers in this country to waste countless hours and resources on complicated estate planning to make sure their children aren’t hit with a huge tax when they die. No one wants to see their children have to sell the family business to pay an unfair tax.

We’re going to eliminate most of the tax breaks that are mainly benefits to high-income individuals. Home ownership, charitable giving and retirement savings will be protected. But other tax benefits will be eliminated.

This isn’t going to be easy. Doing big things never is. We will be attacked from the left and we will be attacked from

> the right. But one thing is certain: I would never, ever bet against this president. He will get this done for the American people.

Mnuchin followed up with an explanation of the corporate income tax plan:

> Our objective is to make U.S. businesses the most competitive in the world. Right now, we have a 35 percent corporate rate on worldwide income and deferral. It is perhaps the most complicated and uncompetitive business rate in the world. Not a surprise that companies leave trillions of dollars offshore.
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> Under the Trump plan, we will have a massive tax cut for businesses and massive tax reform and simplification. As the president said during the campaign, we will lower the business rate to 15 percent. We will make it a territorial system. We will have a one-time tax on overseas profits, which will bring back trillions of dollars that are offshore to be invested here in the United States to purchase capital and to create jobs.
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> The president is determined to unleash economic growth for businesses. This is not just about large corporations. Small and medium-size businesses will be eligible for the business rate as well.
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> As Gary said, we have had very productive meetings with the House and Senate, working weekly, to get this done. We will continue to do that. We are determined to move this as fast as we can and get this done this year.
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> I would also just comment that we will hold listening sessions. One thing this President has done very well is listen. We've had hundreds of business leaders here from all different types of areas—manufacturers, retail, airlines, community banks, big banks. We are listening, and we have been taking feedback.

> Finally, I would just add, the president’s objective is creating economic growth. And as we’ve said before, we believe we can get back to 3 percent or higher GDP that is sustainable in this country. The overall economic plan consists of massive tax cuts and tax reform, regulatory relief and renegotiating trade deals. And with that, we will unlock the economic growth that’s been held back for too long in this country.

Watch the entire briefing, including the question-and-answer session with members of the media, in the video above. {eoa}