



Tax Reform Compensation & Benefits

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Presentation authored by Kevin P. O'Brien

RATE REDUCTION

Corporate and Individual Rate Reduction

- Corporate Rate - Top corporate rate 20% (Blueprint), 15% (Trump), 25% (Camp)
- Individual Rate - Top individual rate 33% (Blueprint), 33% (Trump), 35% (Camp)
- Individual Capital Gains - Top Rate 16.5% (Blueprint) and 20% (Trump)
- Pass-throughs - 25%, but must pay reasonable compensation
- AMT Eliminated

RATE REDUCTION

Rate Reduction and Compensation Planning

- Deferred Compensation
- Stock Compensation
 - 162(m)
 - Pre-funding benefits
 - VEBA Planning

Qualified Retirement Plans

1. No specific benefit cutbacks as yet
 - Blueprint - Ways & Means Committee will examine retirement tax incentives
2. Multiple Employer Plans
3. Camp - Reduced 401(k) limit by half, inflation adjustments suspended until 2024, modify RMD to 5-year payout, individuals in top tax bracket denied 401(k) contribution exclusion, age 59-1/2 DB plan distributions

Health Plans

1. Blueprint endorsed dollar limit on the Section 106 exclusion, but with HSAs carved out. Also support for wellness plans.
2. Camp - Individuals in top bracket (35%) denied Section 106 exclusion
3. American Health Care Act – No Section 106 limit
 - Cadillac tax delayed until 2026

HSA and FSA

HSA Changes (in American Health Care Act)

- Higher limits (individual \$3,400 to \$6,550; family \$6,750 to \$13,100)
- Non-prescription drugs covered
- Lower penalty for non-qualified usage from 20% to 10%
- Spousal catch-up allowed
- Pre-HSA set up expenses allowed - first 60 days of HDHP

FSA

- Eliminates \$2,600 cap
- Eliminates limit on non-prescription drugs (Camp proposal also)

Other Tax-Free Employee Benefits

1. Blueprint says compensation for income inclusion should be the same as for employer compensation deduction
 - What tax-free benefits are affected?
2. Camp proposal eliminates certain benefits – Section 117, limits Section 119, limits parking and vanpooling
3. Trump plan expands individual deduction for childcare expenses

Other Areas

- Carried interest - Blueprint silent, Trump has called for elimination
- Global mobility – Blueprint - Ways & Means "will consider the appropriate treatment of individuals living and working abroad in today's globally integrated economy"
- Camp Safe Harbor on independent contractors - must withhold 5% of the first \$10,000 paid to worker