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Tax Insights

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House GOP Releases American Health Care Act as Replacement for Affordable Care Act

House Republicans released the American Health Care Act (https://waysandmeans.house.gov/wp-content/uploads/2017/03/AmericanHealthCareAct_WM.pdf) on March 6 to repeal and replace the Affordable Care Act. A few of the legislative proposals include:

- Reduction in the penalty imposed on individuals for failing to purchase health insurance to zero, effectively repealing the individual mandate;
- Reduction in the penalty imposed on employers for failing to provide health insurance to zero, effectively repealing the employer mandate;
- Modifications to the premium tax credit by making the credits available for the purchase of "catastrophic-only" qualified health plans and certain qualified plans not offered through an exchange. The bill also revises the schedule under which an individual's or family's share of premiums is determined by adjusting for household income and the age of the individual or family members;
- Recapture of excess premium credits in 2018 and 2019 and repeal of the premium tax credit in 2020;
- Repeal of the small business tax credit in 2020;
- Delay in the imposition of the Cadillac tax, i.e. an excise tax on high cost employer-sponsored health coverage, until 2025; and
- Repeal of the 3.8 percent net investment income tax and the 0.9 percent additional Medicare surtax.

A section by section analysis (https://waysandmeans.house.gov/wp-content/uploads/2017/03/03.06.17-Section-by-Section.pdf) of the bill was released by the House Ways and Means Committee as well as a two page summary (https://waysandmeans.house.gov/wp-content/uploads/2017/03/03.06.17-AmericanHealthCareAct_Summary.pdf).

CRS Explains Differences Between Import Tariff and Border Tax

One of the main components of congressional Republicans' "A Better Way" tax reform blueprint is a border adjustment tax. President Trump has instead generally supported a tariff on imports, and has proposed imposing them in a number of ways, such as an increased tariff on all imported goods or a high tariff on the imports of a company that moves its factory outside the United States In a "Legal Sidebar (https://fas.org/sgp/crs/misc/tariff.pdf)," the Congressional Research Service (CRS) has explained a number of the main differences between an import tariff and a border tax. Generally:

- A tariff is a schedule of duties imposed by the government on imported goods. The particular duty imposed on a good depends on its classification in the U.S. tariff schedule.

- A border adjustment tax is defined by the World Trade Organization as "any fiscal measures which put into effect, in whole or in part, the destination principle (i.e., which enable exported products to be relieved of some or all of the tax charged in the exporting country in respect of similar domestic products sold to consumers on the home market and which enable imported products sold to consumers to be charged with some or all of the tax charged in the importing country in respect of similar domestic products)." It is a destination-basis cash-flow tax.

IRS Releases International Practice Unit on FTC Limitation

The IRS made available an international practice unit (https://www.irs.gov/pub/int_practice_units/ftm_c_03_03_05_01.pdf) that summarizes foreign and domestic loss impacts on the foreign tax credit, providing an overview of the separate limitation loss, overall foreign loss and overall domestic loss rules.

Winter SOI Bulletin Shows Patterns in Unrelated Business Income Tax Returns

The IRS issued its winter 2017 issue of the Statistics of Income (SOI) Bulletin (https://www.irs.gov/uac/soi-tax-stats-soi-bulletin-winter-2017). One of the articles in the bulletin includes a detailed analysis of unrelated business income tax returns filed for tax year 2012. It reports an increase in gross unrelated business income and total unrelated business income tax liability. Forms 990-T filed by traditional IRAs accounted for the second largest percentage of Forms 990-T filed.

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GAO Report Analyzes the Role of Syndicators in Low-Income Housing Credits

Syndicators in the low-income housing credit market tend to be multistate operations with extensive experience with the credits, offering single- and multi-investor funds, and they help connect investors and developers for an acquisition fee and annual management fee, the Government Accountability Office said in a recent report (http://www.gao.gov/products/GAO-17-285R).

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