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President Trump Reiterates Need For Tax Reform

President Donald Trump, in a recent speech delivered at a manufacturing company in Springfield, Missouri, discussed the need for tax reform. (See our prior coverage on tax reform here: <http://www.stradley.com/insights/publications/2017/08/tax-insights-august-23-2017>.) Although the specifics of his tax reform plan were not released, he broadly outlined his “America First” vision for the tax system. In his speech, the president reaffirmed his desire for a 15 percent business tax rate. Trump outlined the following four principles guiding his tax reform efforts:

- A fair and simple tax code;
- A competitive tax code;
- Tax relief for middle-class families; and
- Repatriation of overseas profits.

The White House also released a fact sheet (<https://www.whitehouse.gov/the-press-office/2017/08/30/president-donald-j-trump-tackles-our-broken-tax-system>) highlighting specific problems with the current tax system, including the burden on individual taxpayers and the anti-competitive effect on American businesses.

Minnesota Issues Guidance on 529 Plans

Minnesota issued three pieces of guidance, as follows, relating to 529 plans:



- Recapture tax: The Minnesota Department of Revenue issued information (http://www.revenue.state.mn.us/individuals/individ_income/Pages/Section529PlanRecaptureTax-WN.aspx) alerting taxpayers that starting after tax year 2017, if a withdrawal from a qualified Section 529 college savings plan account is used for anything other than to pay for qualified higher-education expenses, the account owner must pay an additional tax on the amount of the distribution and amounts previously claimed as a subtraction or credit. The recapture tax is not applicable in tax year 2017. The department anticipates issuing more information in 2018.
- Tax credit: The Minnesota Department of Revenue issued information (http://www.revenue.state.mn.us/individuals/individ_income/Pages/Section529PlanCredit.aspx) alerting taxpayers that starting in tax year 2017, Minnesota residents who contribute to a Section 529 college savings plan may be eligible for a nonrefundable credit of 50 percent of contributions made during the year, up to a maximum credit of \$500. The credit is available to Minnesota residents and part-year residents who contribute to a qualified Section 529 plan and meet certain income guidelines. The credit phases out for taxpayers with adjusted gross income that exceeds a certain threshold. Contributions to a qualifying account are eligible regardless of which state administers the plan.
- Subtraction for state tax: The Minnesota Department of Revenue issued information (http://www.revenue.state.mn.us/individuals/individ_income/Pages/Section529PlanSubtraction.aspx) alerting taxpayers that starting in tax year 2017, individuals who contribute to a Section 529 college savings plan may be eligible for a subtraction from federal taxable income of up to \$1,500 (\$3,000 for married

couples filing joint returns) on their Minnesota income tax returns. However, if a taxpayer claims the Section 529 plan credit described above, the taxpayer cannot claim the subtraction.

Department of Justice Files Memorandum Relating to Johnson Amendment

On Aug. 22, the Department of Justice filed a memorandum (<http://www.stradley.com/~media/Files/Publications/2017/09/DOJ%20Memorandum.pdf>) in support of a motion to dismiss a lawsuit by the Freedom From Religion Foundation (FFRF) stating that Trump’s

May 4 executive order (see our prior coverage here (<http://www.stradley.com/insights/publications/2017/05/tax-insights-may-10-2017>)) does not exempt religious organizations from the Section 501(c)(3) ban on campaign intervention. The memorandum states, in part, “The text of the executive order itself does not purport to exempt religious organizations from the political campaign activity provisions of § 501(c)(3), nor does it privilege religious organizations over secular organizations.” Trump has asserted that the order enables churches and other religious entities to engage in political speech; however, the Department of Justice memorandum contradicts that view.

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