



THE COMMITTEE ON
WAYS & MEANS

TAX REFORM 2.0



PROTECTING MIDDLE CLASS AND SMALL BUSINESS TAX CUTS

TAX REFORM 2.0

The *Tax Cuts and Jobs Act* **has changed the trajectory of the economy for the better** — creating more jobs, bigger paychecks, increased investment, and historic Main Street optimism, and enhancing the economic security of American families.

Tax Reform 2.0 is about locking in tax cuts for middle-class families and small businesses, and changing the culture in Washington so we continuously improve our tax code and never again let America fall behind our global competitors.

Today, we have one of the most competitive tax codes on the planet — let's keep it that way.

Locking in the Individual and Small Business Tax Cuts Is Pro-Growth

Tax Reform 2.0 will provide **certainty for our families, workers, and Main Street** small businesses. That will unleash even more economic growth in America for the long run.

The non-partisan Tax Foundation's analysis shows that making the middle-class and small business tax cuts permanent will:

- **Create** 1.5 million new jobs
- **Increase wages** by 0.9%
- **Increase GDP** by 2.2%

Tax Reform 2.0 Supports American Families Throughout Their Lives

House Republicans are making sure **family-friendly policies from the *Tax Cuts and Jobs Act* are available to families for generations to come** by making these provisions permanent.

Family-friendly provisions that will be locked in with Tax Reform 2.0 include:

- Lower tax rates
- A doubled Child Tax Credit that is available to many more families
- The first ever Paid Family Leave Tax Credit
- Elimination of the Alternative Minimum Tax for nearly 96 percent of those who paid it last year
- Doubled exemption from the Death Tax

In addition, **families will save time, money, and a whole lot of stress due to a simpler, postcard style filing system.** The Tax Foundation estimates that the reduction in the time it takes to file a return will translate into a \$3.1 to \$5.4 billion reduction in compliance costs for workers and families.

Tax Reform 2.0 Supports Main Street Small Businesses

The *Tax Cuts and Jobs Act* delivered significant tax relief to Main Street job creators by offering a **first-ever 20 percent deduction for pass-through business income.**

As a result, **Main Street optimism is at all-time highs** and small business owners are reporting record increases in profits, wages, employment, and plans to expand.

Tax Reform 2.0 will lock in this incredibly important provision so that our **small businesses can continue to hire, invest, and grow in their communities.**



PROMOTING FAMILY SAVINGS

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Thanks to the *Tax Cuts and Jobs Act*, businesses and families now have more money in their pockets. **It is the perfect time to help our families save money for their future and have the retirement security necessary to be prepared for anything life throws their way.**

Far too many Americans have struggled to save for key life events such as retirement, emergencies, and education. For example, a recent study found that about 40 percent of Americans would not be able to cover an emergency expense of \$400 using cash or its equivalent. In addition, **nearly half of working-age adults say they do not expect to have enough savings to live comfortably in retirement.** Meanwhile, more than one in three workers do not have access to a retirement plan through their employer.

Tax Reform 2.0 will help families save for all of these key life events by expanding access to new and existing savings vehicles.

Retirement Savings

Tax Reform 2.0 contains provisions to **help local businesses provide retirement plans** to their workers, including:

- **Allowing** small businesses to join together to create a 401(k) plan more affordably
- **Giving** employers more time to put new retirement plans in place
- **Simplifying** the rules for participation in employer plans

It also includes reforms to **help workers participate in retirement plans** so their retirement years are more secure, such as:

- **Exempting** small retirement accounts from mandatory payouts
- **Eliminating** the age limit on IRA contributions
- **Allowing** military reservists to maximize their retirement contributions

Family-Friendly Savings Plans

In addition, Tax Reform 2.0 includes provisions to **help families start saving earlier and save more** throughout their lives:

- **USA accounts.** Creating a new Universal Savings Account (USA) to offer a fully flexible savings tool that families can use any time that's right for them.
- **Expanded 529 Education accounts.** Building upon the improvements to education savings accounts in the *Tax Cuts and Jobs Act* by providing families with the flexibility to also use their education savings to pay for apprenticeship fees to learn a trade, cover the cost of home schooling, and help pay off student debt.
- **New Baby savings.** Allowing families to access their own retirement accounts on a penalty-free basis to use as they see fit when welcoming a new child into the family, whether by birth or adoption. And allowing families to replenish those retirement accounts in the future.

Savings help our families plan for the future while living comfortably today. **Our tax code should support financial stability for families**, and Tax Reform 2.0 will help achieve this.



GROWING BRAND-NEW ENTREPRENEURS

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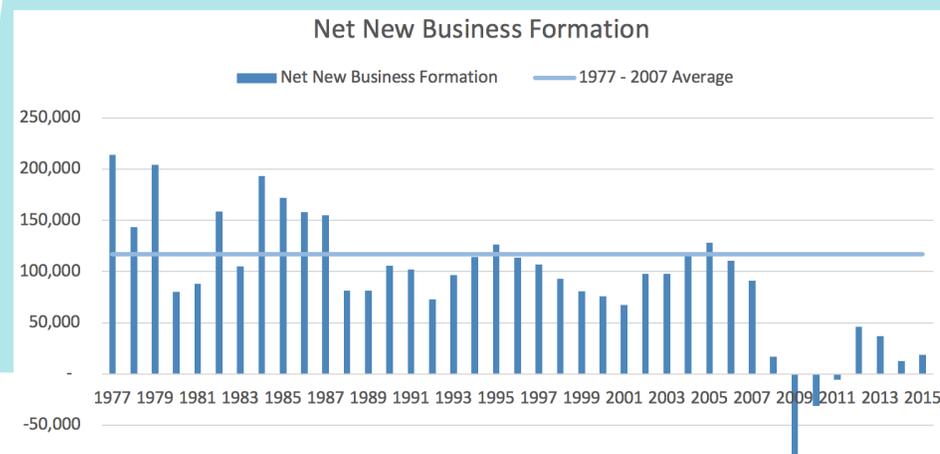
Start-up businesses are outsized contributors to innovation and productivity as well as job creation. Our tax code should **help entrepreneurs move from the kitchen table to Main Street and beyond.**

Earlier this year, the United States dropped out of Bloomberg’s list of the top 10 most innovative countries in the world, which includes countries like South Korea, Singapore, Sweden, and Germany.

This is a problem—and more importantly, it is a call to action. We know **the nation that wins the innovation race wins the future.**

New business formation took a dramatic downturn during the recession, but the decline has been ongoing for decades:

- In 1977, start-up businesses made up 16% of all businesses
- In 2015, start-up businesses made up only 8% of all businesses



Between 1977 and 2007 the economy added nearly 120,000 net new businesses each year.

However, since 2008 the economy as added only about 2,000 new businesses per year on average.

Promoting Start-up Businesses

As part of an annual focus on encouraging innovation, **Tax Reform 2.0 will help brand-new businesses** by helping with startup costs and capital:

- Allowing new businesses to write off more of their initial start-up costs
- Allowing start-ups to expand by bringing in new investors without triggering limits on their access to tax benefits like the R&D credit for activities conducted in their early years

With a renewed focus on innovation and entrepreneurship, Tax Reform 2.0 will help these risk takers create jobs, invest in their communities, and continue strengthening America’s economy.