



M Benefit Solutions®

LEGISLATIVE UPDATE

NOTICE REGARDING PROPOSED TAX LEGISLATION #2

NOVEMBER 2017

Republicans continue to move forward with their plan to pass a tax bill cutting corporate tax rates. When the House of Representative released their draft tax bill, H.R. 1, on November 2nd, it contained a provision that made significant changes to the taxation of deferred compensation, §3801. On November 9th, Chairman Brady made a series of amendments to H.R. 1, one of which was to strike §3801 from the bill. The amendment passed and the committee voted to advance the legislation.

On the night of November 9th, the Senate Finance Committee released a description of the Chairman's mark of the Senate Bill. The document made clear that the Senate version of the bill would contain language almost identical to §3801. The most significant difference appears to extend the grace period for deferred compensation attributable to services performed prior to January 1, 2018 by one year. These amounts would be taxable on the later of the lapse of substantial risk of forfeiture or December 31, 2026.

As with the House Bill, the Senate Bill is subject to a great deal of uncertainty. Republicans are advancing the bill through the reconciliation process, which avoids a filibuster and allows passage with 51 votes. To do so it must stay within the \$1.5 trillion deficit established by Congress' FY 2018 budget. It is also subject to the Byrd rule, requiring that the bill not add to the debt beyond the ten year budget window. Initial assessments are that the current bill meets neither requirement. Finally, several senators have expressed serious reservations about the bill in its current form. Changes to the bill are expected.

It is uncertain whether the deferred compensation provision will remain in the Senate Bill or be removed, as it was from the House Bill. M Benefit Solutions will continue to closely monitor the progress of these bills and provide updates as they work their way through the legislative process.

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