



A Quick Look at Tax Reform: What Congress is Considering & How It Could Affect You

The White House and Congress now say they are working on their promise of a simpler, fairer tax system. It's been more than three decades since lawmakers have revamped the tax code—evidence of how difficult it is to achieve reform. To help you keep up with the debate in Washington, here's a brief primer on federal tax reform terminology.

“THE BLUEPRINT”

Last year, House Republicans outlined their priorities for tax reform in “**The Blueprint**”. And while elements of the plan have been met with a mixed reception, it's the only full-scale plan that's out there so far. The White House and Senate have yet to offer their proposals. Stay tuned.

COMPREHENSIVE VS. CORPORATE

Some lawmakers want to tackle reforming the entire tax code—the corporate system and the individual tax system too, which includes the rates, credits, and deductions that apply to pass-through entities. This is referred to as comprehensive reform. Other lawmakers only want to deal with the corporate tax code, which applies to just a handful of U.S. businesses (just **8 percent** at last count) that file as C Corporations. This is referred to as “corporate-only” reform. **MSCI supports comprehensive reform because it will improve business conditions for all members.**

BORDER ADJUSTMENT TAX (BAT)

A BAT would exempt exports from a company's tax calculations and tax its imports. Why is this part of tax reform this year? Because a BAT would increase U.S. Treasury revenue, making it more politically and fiscally feasible for lawmakers to drastically reduce both corporate tax rates (which are regarded as globally uncompetitive) **and** individual tax rates. **MSCI is studying this issue and would like to hear in its forthcoming survey whether you would support a BAT.**



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LIFO REPEAL

Lawmakers don't want tax reform to affect the budget deficit so they're looking for ways to "pay for" reform and rate cuts. In the past, both Republicans and Democrats have proposed getting rid of the last in, first out (LIFO) accounting principle as one way to pay for reform. **MSCI opposes LIFO repeal.** LIFO repeal would harm many members of the industrial metals supply chain—and, according to the **Tax Foundation**, actually would make the deficit worse. To learn more, visit our partners at the **LIFO Coalition**.

EXPENSING

House Republicans have proposed allowing businesses to fully and immediately write off the cost of investments. "Expensing" essentially means there would be a zero percent marginal effective tax rate on new investments. **MSCI is generally supportive of this idea, but will evaluate how expensing fits with other tax reform proposals.**

Keep an eye out! A member opinion survey will be coming soon!



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