Washington Watch

Will Tax Reform Impact Your Plan?

A summary of what is happening in Washington that will affect your plan.

By David Levine and Brigen Winters

Tax reform has the potential to impact your defined contribution plans. PSCA's Washington lobbyists, Groom Law Chartered, provides an update below as well as an overview of the Affordable Care Act repeal and replace efforts.

Tax Reform

Tax reform discussions continue to be held behind closed doors as leaders from the House, Senate, and White House work together to produce a unified proposal. On June 13, House Ways & Means Chairman Kevin Brady (R-TX) suggested a five-year phase-in of the proposed border adjustment tax ("BAT"). The proposed phase-in did not appear to appease opponents or Republican members who have expressed concerns with the BAT proposal. As the BAT and hopes for comprehensive tax reform falter, members of the House Freedom Caucus and Senator Orrin Hatch have stated publicly that they are open to the idea of unpaid-for tax cuts. House Speaker Paul Ryan (R-WI), however, remains confident that Congress can pass comprehensive tax reform in 2017, according to his June 20th remarks at a conference held by the National Association of Manufacturers. Tax reform discussions should accelerate in the fall after Congress addresses healthcare, the debt ceiling, and the budget.

Affordable Care Act ("ACA") Repeal and Replace

On May 4, the House of Representatives passed the American Health Care Act ("AHCA") by a close vote of 217-213. Twenty Republicans and all Democrats voted against the bill. Some of the bill's key provisions are:

- eliminating the individual shared responsibility and employer shared responsibility penalties (though the mandates themselves remain);
- a package of insurance "market stabilizers," including funding for state-based high-risk pools, a continuous coverage requirement, and a 5:1 community rating provision with state flexibility;
- creating state waivers for age rating, essential health benefits and, where an individual's coverage has lapsed, community rating;
- replacing the ACA premium subsidies with age-based tax credits of $2,000–$4,000 to help individuals pay for coverage;
- delaying the implementation of the Cadillac tax;
- eliminating various taxes and fees associated with the ACA; and
- reforming Medicaid.

The House initially passed the bill without a budget score from the Congressional Budget Office ("CBO"). On May 24, the CBO released its score showing that 23 million more Americans will be without coverage in a decade than under the ACA. The bill overall saves $119 billion over a decade — this number comes from $1.1 trillion in cuts to Medicaid and premium subsidies offset by repealing $874 billion in ACA taxes and fees and spending $117 billion on premium-reduction payments.

One month later on June 22, Senate Republicans introduced their healthcare bill, the Better Care Reconciliation Act of 2017. The bill immediately faced opposition from conservatives and liberals alike. In order to satisfy budget reconciliation rules, the Senate bill must save the federal government as much or more money than the AHCA's $119 billion over a decade. A CBO score for the Senate bill is expected the week of June 26.

David Levine and Brigen Winters are Partners with Groom Law Group Chartered, PSCA's Washington Lobbyist firm.