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Policy Points

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WH Tax Priorities

On May 5 [Punchbowl News](#) reported that the Trump administration recently sent House Republicans a list with proposed new tax cuts for made-in-America businesses as the GOP rushes to finalize its reconciliation package.

While many of the items are familiar, the purported priority is worth noting. It is also important to remember that there are ways to include more items at relatively low cost by including income limits as well as phase out periods. An official “score” of the business tax proposals from the Congressional Budget Office (CBO) will also influence their chances on being included.

Steve Pavlick: Below are the percentage odds I assign that some of the WH tax priorities become law, with some caveats.

WH Tax Cut Priorities

1. Extension of the expiring tax rules--preferably permanently.
 - 95% odds they get an extension; 60% it is permanent.
2. A 15% tax rate for corporations that manufacture in the U.S.
 - 35%. Seems designed to help trade agenda to incentivize foreign investment.
3. A corresponding modification to Section 199A for pass-through businesses that make products in the U.S.
 - 35%. Same as corporate rate above since they are linked. Like the corporate rate above, a deduction rather than a rate reduction may be more practical and more likely (60%).
4. Full deductions (expensing rather than amortization) for the cost of short-term assets like equipment and machinery from 2025 to 2029.
 - 85% they get an extension, 45% that it is permanent due to cost issue.
5. A tax deduction for interest on auto loans for cars and motorcycles made in the U.S.
 - 30%. May be less needed to include following recent auto tariff reprieve.
6. A four-year exemption from income tax for tips, Social Security benefits and overtime pay.
 - 70% since it will likely come with income limits to reduce the cost.
7. A lower tax rate for foreign-derived intangible income, for four years.
 - 30%. This has not been as widely discussed, and assume it is lower on the priority list for a reason.

WH Proposed Payfors.

- Repeal of certain clean energy tax credits enacted in the Inflation Reduction Act
 - This is a problem for some House Rs where many are from districts that are directly benefiting from those tax credits.
- Closing the carried interest loophole.
 - Reports suggest that GOP members on the tax-writing committee are disinclined to cut back on carried interest tax rules/benefits.
- Increase in the tax on university endowments.
- Reduce current law tax breaks for sports team owners.

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