The **GROW** Plan

G *row GDP & Investment in a*
R *evenue Responsible Manner to*
O *pen Job Opportunities and Create*
W *age Growth through Tax Reform*

- The GROW plan leverages the Better Way Blueprint[1] (which includes a 20% corporate tax rate), eliminates its Border Adjustment and makes the following adjustments to replace the revenue lost from removing the Border Adjustment:
    - Make 50% bonus depreciation permanent
    - Raise the Section 179 expensing limit from $1M to $5M
    - Disallows 50% of net interest expense on future loans
    - Cap the 25% rate for owners of Pass-through businesses to the first $500K of an owner's adjusted gross income and any income above that level would be taxed as ordinary income (like normal salary and wages). This would limit abuse of the lower pass-through rate and focus on small business.
    - In order to fund federal highway infrastructure, increase gasoline and diesel user fees over 5 years to bring such fees to current inflation levels and index the fees to inflation thereafter

- In order to raise more revenue (if needed), we could consider a 1% increase in employer share of Medicare taxes[2] and the use of chain indexing of the CPI ("Chained CPI") vs CPI for Urban Wage Earners and Clerical Workers ("CPI-W") for revenue and spending programs.

- Also, since the Better Way Blueprint assumes only Foreign Personal Holding Company Income rules remain to address offshore passive income, a broader base erosion provision targeting offshore earnings may be needed to prevent abuse. It is assumed such a provision would be revenue neutral to this overall plan.

- Though this plan may create short term deficits, we believe on a dynamic basis this alternative plan would score comparable to the Better Way Blueprint and increase real GDP by approximately 4-5%[3] over 10 years, thereby increasing business investment (which has a close correlation with private employment).

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[1] See next page for more details on Better Way Blueprint ("BWBP"). We assume the BWBP is revenue neutral since no official score has been released

[2] This provision would not be subject to the Byrd Rule and should be considered "on budget" with general revenues.

[3] This plan was scored by Quantria Strategies using a model similar to JCT's economic model.

Key Components of the Better Way Blueprint – A Tax Reform Proposal Published on June 24, 2016 by the Republican Majority of the U.S. House of Representatives

- **Individual Provisions:**
  - Reduces top individual tax rate to 33% and consolidates the seven current tax brackets to three – 15%/20%/33%
  - Replaces lower tax for capital gains and dividends with 50% exclusion of capital gains/dividends/interest from ordinary income
  - Eliminates all itemized deductions except mortgage interest and charitable contributions
  - Eliminates the individual alternative minimum tax
  - Eliminates the personal exemption and increases the standard deduction
  - Repeals the estate and gift tax

- **Business Provisions:**
  - Reduces corporate rate to 20% and caps tax rate for pass-through businesses at 25%
  - Converts to a destination-based cash flow tax by introducing a border adjustment
  - Creates a territorial tax system (except Foreign Personal Holding Company Income), and enacts a deemed repatriation tax of 8.75% for offshore cash and 3.5% for “non cash" profits
  - Allows full expensing of capital investments
  - Eliminates net interest expense deduction (assumed for future loans), but can be carried forward indefinitely
  - Eliminates special interest deductions, for e.g., domestic production deduction, and all business tax credits except R&E
  - Eliminates the corporate alternative minimum tax
  - Allows NOLs to be carried forward indefinitely (limited to 90% of net taxable income), but not carried back