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Current Proposals for Tax Reform in the United States

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INTRODUCTION

Both the United States and Australia are currently involved in the seemingly endless process of income tax reform. While the United States tax reform process seems to lack both the intensity and pace of the Australian tax reform, the United States process may still result in substantial change. This paper will consider the current United States income tax structure including tax legislation changes occurring in the 1980s. It will then consider various types of proposals to alter the income tax system. Finally, it will deal principally with the income tax reform proposals made by the Reagan administration which may result in tax legislation in 1986.

THE STRUCTURE OF THE CURRENT UNITED STATES TAX SYSTEM

The structure of the United States income tax system is almost identical to the structure of the system in Australia. It begins by including within the tax base all items of gross income, a concept which is comparable to the Australian concept of assessable income. A major difference is that the scope of United States gross income is broader than Australia's assessable income. This has been so in the past because capital gains have been included within gross income albeit subject to preferential treatment, and it continues to be so because of inclusion of various types of windfall gains such as prizes, awards, and gambling winnings. Like Australia, the United States then allows various deductions from gross income in arriving at taxable income. The scope of those deductions includes not only a broad range of business deductions but also numerous personal deductions for such things as interest, charitable contributions, extraordinary medical expenses, and most state and local taxes. The third step under both systems is to impose tax at progressive

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rates on taxable income. Noncorporate taxpayers in the United States are taxed under a rate schedule that contains 14 brackets and which has a maximum tax rate of 50 per cent.[1] Corporate taxpayers are subject to fewer brackets and their maximum tax rate is 46 per cent.[2] Only 40 per cent of noncorporate capital gains are included in gross income, resulting in a maximum 20 per cent tax rate,[3] while corporate capital gains are taxed at a maximum 28 per cent rate.[4] In determining actual tax due the United States system then allows 'credits' which directly reduce the amount of tax liability. They are similar to Australian rebates. Credits are allowed for prepaid taxes as a result of withholding and as well for various types of personal and business expenses. The most important non-withholding credit under the United States system is the investment credit, which is a credit of a maximum 10 per cent of the cost of investment in tangible, depreciable personal property.[5] Finally, the United States income tax system has a concept not present under the Australian system. Introduced in the late 1960s, it is known as the Minimum Tax. The Minimum Tax for noncorporate taxpayers is essentially an alternative tax to the tax computed under the regular system described above, and it is imposed at a 20 per cent rate. The corporate Minimum Tax is an add-on tax in addition to the regular tax, and it is imposed at a 15 per cent rate.[6]

There are two recognised major weaknesses with the current United States tax system. The tax laws have undergone frequent and substantial changes resulting in a very complex set of statutory rules. Not only is the law complex, but the forms which taxpayers must complete and the procedures they must follow are also complex. In addition the tax system is perceived, and probably rightly so, as one which lacks equity, especially vertical as well as horizontal equity. Such perception strains the effectiveness of the system. In attempting to overcome such weaknesses, one must question whether the goals of horizontal and vertical equity are compatible with the goal of simplicity.

UNITED STATES TAX LEGISLATION IN THE 1980s

There have been several major tax acts in the United States in the 1980s. The first was the Installment Sales Revision Act of 1980,[7] under which the rules related to instalment sales were simplified and the use of such sales was expanded. In that year Congress also enacted the Bankruptcy Tax Act of 1980.[8] That Act essentially changed the rules for tax consequences to the bankrupt taxpayers and for the cancellation of indebtedness income to taxpayers outside of bankruptcy.

1. *Internal Revenue Code* of 1954 (IRC) s.1.
2. IRC s.11.
3. IRC s.1202.
4. IRC s.1201 (a).
5. IRC s.46.
6. See IRC ss.55 and 56, respectively.
7. PL No. 96-471.
8. PL No. 96-589.

To date, the most significant piece of United States tax legislation in the 1980s has been the Economic Tax Recovery Tax Act of 1981 (commonly called ERTA).[9] That Act was proposed by the Reagan administration and it applied the 'supply side' or 'trickle down' economic philosophy. Substantial changes were made under ERTA. The most significant of those changes was a reduction of all noncorporate tax rates over a period of years, including a reduction of the maximum rate from 70 per cent to 50 per cent. Additionally, ERTA introduced the concept of indexing to tax rates, to some deductions such as exemptions and to the zero bracket amount (the standard deduction). Another significant part of the Act was the adoption of the accelerated cost recovery system[10] (commonly called ACRS), applying new rules of depreciation with respect to both personal and real property. Under those rules, the lives of depreciable property were substantially shortened greatly accelerating depreciation allowances. In addition, the Act coupled ACRS with an expansion of the investment credit. The Reagan administration was able to propel ERTA through Congress with little difficulty. The initiative with respect to tax legislation in the United States at that point was clearly with the Reagan administration and not with Congress.

In 1982, Congress adopted the Tax Equity and Fiscal Responsibility Act[11] whose principal purpose was to raise revenue at a time when the deficit was beginning to soar. Basically, that legislation retracted some of the ERTA benefits, especially some benefits of ACRS and the investment credit. It also made major changes in the area of taxation of deferred compensation allowing self-employed persons benefits comparable to those which historically had been allowed to employees. Additionally in 1982, Congress passed the Subchapter S Revision Act.[12] Under Subchapter S, small corporations are allowed to be taxed as non entities, i.e. similar to partnerships. This Act revised those rules to make the taxation of such 'S Corporations' even more like the taxation of partnerships.

The final major piece of United States tax legislation thus far in the 1980s was the Tax Reform Act of 1984.[13] The purposes behind this Act were to substantially reduce the budget deficit and to cut down on various types of tax shelters. This Act provided more equity but added substantial complexity to the tax system. One of the major parts of the Act was to provide what are known as 'time value of money' provisions.[14] Those provisions contain very intricate and complex rules related to the imputing and timing of the taxation of interest. Another major part of the Act simplified and clarified the alimony provisions and treated all inter-spousal transfers as gifts. The Act also imposed further restrictions on the ACRS depreciation system and the investment credit.

9. PL No. 97-34.
10. IRC s.168.
11. PL No. 97-248.
12. PL No. 97-354.
13. PL No. 98-369.
14. See, for example, IRC ss.1271-1275.

Additionally the 1984 Act contained numerous other changes, some of which are in areas currently of interest to Australians. It imposed a new section taxing below-interest and interest-free loans in many circumstances by imputing interest into the transactions and then determining the appropriate tax consequences for such imputed interest.[15] Additionally, it also clarified a long standing controversy with respect to the question of taxation of fringe benefits providing, in essence, that the fair market value of all fringe benefits would be included in employees' gross income unless specifically excluded by statute. Some exclusion statutes had existed prior to the 1984 Act[16] and for the most part they were retained but, additionally, another provision was added providing specific exclusion for various types of fringe benefits.[17] Any fringe benefits not subject to exclusion under a statute are included as gross income to employees.

VARIOUS PROPOSALS FOR TAX REFORM IN THE 1980s

As was pointed out above, the initiative for tax legislation in the United States in the early 1980s was with the Reagan administration. Nevertheless as the 1980s progressed, there were various proposals for tax reform made by persons outside the Reagan administration.[18] Those proposals can be categorised into three groups, some introduced by Congressmen and some outside of Congress. None of those proposals received serious congressional consideration, although some received substantial media attention and they may have been the stimulant for subsequent Reagan administration proposals.

The first group of tax reform proposals, made by non-legislators, were proposals for taxes such as a consumption tax or a value-added tax. A consumption tax imposes taxation on an annual basis at progressive rates on cash flow less savings. Its eventual adoption in the United States is most unlikely. A value-added tax is a hidden sales tax imposed at all levels of production and distribution. Many European and South American countries have adopted a value-added tax and although it has been frequently discussed in the United States, it has never received serious congressional attention. However, as a result of the Graham-Rudman amendment, which requires a balanced budget in the United States by 1991, it is quite possible that Congress may consider imposing a value-added tax in order to raise the revenue to meet the balanced budget requirement.

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15. IRC s.7872.
16. See, for example, IRC ss.79, 105 and 106.
17. See IRC s.132 excluding a 'no-additional-cost service', 'qualified employee discount', 'working condition fringe', 'deminimis fringe' and 'on premises athletic facility'.
18. These proposals are discussed in more detail in Sweeney, 'Income Tax Reform', (1985) 9 *Taxation of Individual* 280.

The second group of United States tax reform proposals are proposals made by various Congressmen for a 'flat tax'. A flat tax is one under which a flat rate of tax is imposed on a tax base substantially broader than the present base. Under a flat rate tax, base broadening is achieved by disallowing personal deductions and many business deductions. Several such proposals have been made in Congress in the 1980s. The most significant flat tax proposal was made by Representative Crane and it was for a 10 per cent flat tax. A similar 10 per cent flat tax proposal was made by Representative Siljander. His philosophy for the proposal was: 'Why should one render more to Caesar than he renders to God?'[19] In addition, Senator De Concini proposed a 19 per cent flat tax proposal, allowing more deductions and integrating the noncorporate and income taxes. There were other flat tax proposals made by Congressmen. While such proposals generated substantial media hype which created much public interest, they were never seriously considered in Congress.

The third and most important group of tax reform proposals were 'modified flat tax' proposals which broaden the tax base and apply progressive rates with fewer brackets and lower rates than current law. Probably the most significant of those proposals was the Bradley-Gebhardt 'Fair Tax Act of 1985'. The proposal substantially broadened the current tax base (although not as broad as flat tax proposals) and imposed progressive tax rates of 14 per cent, 26 per cent and 30 per cent. However, under the Bradley-Gebhardt proposal all deductible items were deductible at only the 14 per cent rate. The second modified flat tax proposal was the Kemp-Kasten 'Fast Tax' or 'Fair and Simple Tax Act of 1985'. It was similar to the Bradley-Gebhardt proposal and although it looked like a 25 per cent flat tax, it was effectively a modified flat tax proposal because of certain benefits at lower income levels and surtaxes at the upper income levels. Reportedly Representatives Kemp and Kasten and Senators Bradley and Gebhardt were willing to compromise their proposals. However, before any such compromise occurred, President Reagan again seized the tax reform initiative in an action which led to the current tax reform proposals considered below.

THE CURRENT TAX REFORM PROCESS

In his January 1984 State of the Union Address, President Reagan regained the initiative for tax reform by asking the Treasury to study the present United States income tax system. He asked for consideration of possible additional alternative taxes such as a value-added tax to the income tax system and for consideration of reform of the income tax itself. He imposed two provisos on the Treasury study: he wanted it to occur promptly, by the end of the 1984 calendar year; and he wanted it to be 'revenue-neutral', generating the same amount of tax revenue as the current income tax.

19. Id., p.285.

Treasury One

Pursuant to President Reagan's order, the Treasury unveiled the conclusions of its study in November 1984 in a tax package commonly referred to as 'Treasury One'. Its stated goals were equity, efficiency, simplicity, and the stimulation of some specific economic activities. The Treasury One proposal was less radical that any of the proposals listed above which preceded it, but was more radical than any of the proposals discussed below which followed it. Essentially Treasury One proposed conversion of the current income tax system to a modified flat tax system similar to the Bradley-Gebhardt and Kemp-Kasten proposals. It called for both a substantial broadening of the current tax base and a substantial reduction in tax rates thereby satisfying the revenue-neutral requirement imposed by President Reagan.

Under Treasury One, tax rates on noncorporate taxpayers were reduced from the current 14 bracket system with a maximum 50 per cent rate to a three bracket system with 15 per cent, 25 per cent, and 35 per cent rates. Corporate taxpayers were to be taxed at a flat 33 per cent rate, down from the current maximum 46 per cent rate. Neither noncorporate nor corporate taxpayers received preferential treatment for capital gains, although such gains were to be indexed under a system which taxed capital gains as ordinary income in a manner very similar to the proposed Australian capital gains tax.

Treasury One proposed numerous restrictions on current deductions. It greatly extended the previously shortened lives of depreciable property under ACRS, thus reducing substantially the accelerated write-off of depreciable property. It also called for total repeal of the investment credit. It denied deductibility to entertainment expenses and placed a cap on the deduction for business meals. However, in a move toward integrating the corporate and noncorporate income taxes, it allowed corporations a 50 per cent deduction for dividends paid.

Treasury One's restrictions were not limited to business deductions. It curtailed personal deductions by imposing stringent limitations on the deductibility of nonbusiness interest expenses other than interest on a principal residence, on charitable contributions, and on other personal deductions. It also called for the total disallowance of a deduction for all nonbusiness state and local taxes.

Somewhat surprisingly as a result of the combination of lower rates and limitation of deductions, Treasury One was able to simplify the law by calling for the outright repeal of both the corporate and noncorporate Minimum Taxes. Treasury One made numerous other proposals, but the ones set out above are illustrative of the type of changes it proposed.

The Treasury One proposals were the product of the Treasury with little input from Congress, special interest groups or lobbyists. Those groups were silent during the formulation of Treasury One, but did not remain silent when it was announced. Shortly thereafter, partly as a result of criticisms from such groups, the Reagan administration sent Treasury One back to the Treasury for reconsideration.

Treasury Two

The product of that reconsideration was presented in May 1985 in a revised proposal commonly referred to as 'Treasury Two'. It became the proposal which was submitted by President Reagan to Congress for their action. The goals of Treasury Two were expressed in a letter sent from the President to Congress which accompanied the proposal and which stated in part:

> We face an historic challenge: to change our present tax system into a model of fairness, simplicity, efficiency, and compassion, to remove the obstacles to growth and unlock the door to a future of unparalleled innovation and achievement.
>
> For too long our tax code has been a source of ridicule and resentment, violating our Nation's most fundamental principle of justice and fair play. While most Americans labor under excessively high tax rates that discourage work and cut drastically into savings, many are able to exploit the tangled mass of loopholes that has grown up around our tax code to avoid paying their fair share—sometimes to avoid paying any taxes at all.
>
> The American people want change and for very good reason. Our present tax code is not only unfair, it slows economic growth and job creation, and hinders technological advancement by interfering with free markets and diverting productive investment into tax shelters and tax avoidance schemes. In 1981, we made the first necessary, historic step by cutting tax rates and opening the way to vibrant economic growth and expanding opportunity for all Americans. Now is the time to build on our success, to redesign the basic structure of our tax system in order to discourage non-productive economic activity, to encourage greater compliance and to liberate incentives still further.
>
> Accordingly, I hereby submit my proposal to overhaul our tax code based on the principles of simplicity and fairness, opening the way to a generation of growth. This is a tax proposal we can be proud of, a proposal that will help fulfill America's commitment to fairness, hope, and opportunity for all its citizens . . .

Treasury Two again achieved revenue-neutrality but made some changes from Treasury One primarily by liberalising some deductions and restoring the Minimum Tax. It retained the same noncorporate 15 per cent, 25 per cent and 35 per cent rates and the same 33 per cent maximum corporate rate. However, it restored preferential treatment to noncorporate and corporate capital gains, taxing only 50 per cent of non-corporate gains (thus taxing them at a maximum 17.5 per cent rate) and taxing corporate capital gains at the current 28 per cent maximum rate. Generally, it retained the Treasury One restrictions on depreciation and other business expenses and its repeal of the investment credit. It reduced the Treasury One restrictions on some personal deductions retaining, however, the disallowance of nonbusiness state and local taxes.

Treasury Two's combination of the retention of capital gain preferences and leniency with respect to some deductions along with its retention of the Treasury One rates required Treasury Two to make some limitations on prior deductions to generate additional revenue so as to remain revenue-neutral. As a result, the corporate dividends paid deduction was reduced to 10 per cent and the Minimum Tax on both noncorporate and corporate taxpayers was reinstated.

The Treasury Two tax reform proposal was a submitted to Congress by the Reagan administration in May 1985. Tax legislation in Congress is sent first to the House of Representatives, specifically to the House Ways and Means Committee which produces a bill which is then introduced in the full House. If passed in the House, it is then acted on in the Senate, initially in the Senate Finance Committee and then in the full Senate. Discrepancies between the House and the Senate bills are compromised by a Joint Committee of the House and the Senate. The compromise is then resubmitted to both the full House and Senate and, if passed, is sent to the President and becomes law when he signs it. If he vetoes it, his veto may be overridden by a two thirds vote of both the House and the Senate.

The House's Tax Reform Bill of 1985

Pursuant to the procedure above, the administration's Treasury Two proposal was submitted to the House Ways and Means Committee in May 1985. During the summer and fall of 1985 that Committee ironed out a bill which varies substantially from the proposals of Treasury Two. As to several of the proposals it simply retains current law. For the most part, the House Bill falls roughly midway between Treasury Two and current law. Again, it is revenue-neutral but, in general, it narrows the tax base and consequently raises tax rates to achieve revenue neutrality.

The House Bill imposes a maximum 38 per cent noncorporate tax bracket on top of Treasury One and Two's 15 per cent, 25 per cent, and 35 per cent brackets. It also increases the maximum corporate tax rate from 33 per cent to 36 per cent. As seen below, this aspect of the House Bill was not well received by the Reagan administration. The House Bill also indirectly raises taxes by reducing Treasury Two's preferential treatment of capital gains. Under current law noncorporate capital gains are allowed a 60 per cent deduction resulting in taxation of only 40 per cent of such gains at a maximum 20 per cent tax rate. Treasury Two called for 50 per cent inclusion with a maximum 17.5 per cent tax rate. The House Bill substantially reduces the preference by allowing only a 42 per cent deduction and thus 58 per cent inclusion of such gains resulting in a maximum 22 per cent tax rate. Additionally the Bill provides no preference or indexing for corporate capital gains which are taxed at a maximum 36 per cent tax rate, compared with a 28 per cent maximum tax rate under current law and Treasury Two.

The House Bill substantially narrows the tax base by allowing more lenient deductions than Treasury Two. Some deduction changes provided in the Treasury Two proposals are retained in the House Bill. For example, the depreciation deduction lives are kept similar to the Treasury Two proposals extending the lives of the property essentially to their pre–1981 levels. For example under the Bill, real estate is assigned a 30 year life and qualifies only for straight line depreciation, a far cry from the 15 year life and elective accelerated depreciation allowed by ERTA in 1981. The Bill also repeals the investment credit. Nevertheless, while some provisions were retained from Treasury Two, the trend of the House Bill is to liberalise many of the limitations on deductions that had been imposed in the Treasury proposals. For example, the limitations on the deductibility of business expenses such as entertainment expenses and business meals are not nearly as stringent as those proposed by Treasury Two. The House Bill imposes some limitations on the current deductibility of such expenses but allows a deduction for 80 per cent of such costs. The same is true with respect to non-business deductions. While there had been strict limitations on deductibility of non-business interest deductions and charitable contributions under Treasury Two and while there are some limitations making these deductions stricter than under current law, nevertheless their deductibility is much closer to current law than to Treasury Two. In addition, the House Bill turned a complete about-face on the nondeductibility of non-business state and local taxes under Treasury Two, restoring full deductibility to them as allowed under current law.

In addition to raising tax rates and decreasing capital gain preferences, the House Bill makes other changes to Treasury Two in an effort to generate more revenue. It phases in the 10 per cent dividend deduction over a 10 year period. It not only retains the Minimum Tax which was restored by Treasury Two but it gives it a stronger application in two ways. The House Bill substantially increases the items of tax preferences which are subjected to the tax and it imposes an alternative Minimum Tax on both corporate and noncorporate taxpayers at a tax rate to 25 per cent.[20]

One somewhat hidden aspect of the House Bill as well as the Treasury proposals is that while they are revenue neutral, they do result in a substantial shift of the tax burden from noncorporate to corporate taxpayers. This results primarily from changes in the rules related to business expenses, depreciation deductions, repeal of any preferential treatment to corporate capital gains, and repeal of the investment credit. In addition, as among corporations themselves, more of the burden is shifted to capital intensive corporations than to high technology and service corporations.

CONCLUSION

When the House Ways and Means Committee Bill was released, President Reagan balked at the Bill saying that if it came to his desk in its

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20. The chart in the appendix to this paper provides a comparative analysis of various aspects of the proposals comparing current law, Treasury One, Treasury Two and the House Bill. It might well be examined at this point.

current form he would veto it. He was especially upset about the increase in the maximum tax rates on noncorporate and corporate taxpayers from 35 per cent to 38 per cent and from 33 per cent to 36 per cent, respectively. Taking a signal from the President's statement that he would repeal the Bill, Republican Congressmen along with some Democrats said, in effect, if he is going to repeal it, let's stop it now. In a rare legislative move, the House of Representatives surprised everyone, including the President, by voting not to allow the House Ways and Means Committee Bill to move to a vote in the House itself.

At that point, President Reagan reconsidered his statement, re-examined the entire tax reform legislative process and called in the Republican Congressmen. In essence, he said that even though this Bill was not to his liking and he would veto it if it came to his desk in its current form, nevertheless he felt that the process of tax reform was extremely vital to the country. He stated that he hoped that the Republican controlled Senate would come up with a tax bill that would be much more like Treasury Two, and that when the Joint Committee of the House and Senate compromised the differences, the Committee would come up with a proposal that would also be close to Treasury Two. Consequently, he asked the Republican Congressmen to support the Bill. In seeking the support of Republican Congressmen, the President is reported to have said that if the bill that came out of the Joint Committee was identical to the House Bill, he would veto it. As a result of the President's persuasion, the full House of Representatives adopted the House Bill on December 17, 1985 by voice vote.

The Senate Finance Committee commenced consideration of a Senate proposal in March 1986. One can only speculate what will happen to the Senate proposal. It is an election year in the United States and even though the Senate is Republican controlled, it is an unpredictable body. However, it is my opinion that it is more likely than not that the Senate will pass a tax bill likely late July or early August 1986 and that the Senate Bill will be similar to the House Bill, although it will fall somewhere between Treasury Two and the House Bill. A compromise of the two Bills will likely result in a compromise close but not identical to the House Bill. This would, of course, give the President a means by which to sign the Bill and not vary from his original veto threat of the House Bill. My opinion is that if such tax legislation is enacted, it will be enacted by October 1986.

Finally, recall the goals of the President in suggesting tax reform in the United States. They boil down primarily to goals of simplicity and equity. It is my opinion that the House Bill is somewhat more equitable than current law and, consequently, one goal is partially achieved. Nevertheless, the Bill adds much more complexity to the United States tax system. One can only regret the fact that both goals of simplicity and equity cannot be achieved by this tax legislation. Perhaps, however, the two goals are incompatible and can never simultaneously be achieved in legislation.

COMPARISON OF SOME OF THE HIGHLIGHTS OF CURRENT LAW, THE TREASURY ONE PROPOSALS, THE TREASURY TWO PROPOSALS AND THE HOUSE BILL

	Current Law (1986)	Treasury One (Nov. 1984)	Treasury Two (May 1985)	House Bill (Dec. 1985)
RATES:				
Individual	14 rate brackets from 11 to 50% Indexed	3 rate brackets 15, 25, 35% Indexed	3 rate brackets 15, 25, 35% Indexed	4 rate brackets 15, 25, 35, 38% Indexed
Corporate	Graduated up to 46%	33% flate rate	Graduated up to 33%	Graduated up to 36%
Individual Capital Gains	60% excluded; so 40% × 50% equals a 20% maximum	Taxed as ordinary income but indexed	50% excluded; so 50% × 35% equals a 17.5% maximum	42% excluded; so 58% × 38% equals a 22% maximum
Corporate Capital Gains	28% maximum	No preference taxed at 33%	28% maximum	No preference taxed at 36%
DEPRECIATION AND INVESTMENT CREDIT:				
Depreciation	ACRS (6 property classes of 3–19 years)	Economic depreciation indexed	Indexed, with investment incentive	IDS (10 recovery classes 3–30 years, indexed)
Investment Credit	6–10%	None	None	None
VARIOUS PERSONAL DEDUCTIONS:				
Personal Exemption	$1000 and indexed for inflation	$2000 and indexed for inflation	$2000 and indexed for inflation	$2000 and indexed for inflation but limited to $1500 for taxpayers who itemise deductions
Zero Bracket Amount	Generally $3400 (joint returns) and $2300 (single) and indexed for inflation	Generally $3800 and $2800 and indexed	Generally $4000 and $2900 and indexed	Generally $4800 and $2950 and indexed
Interest	Fully deductible with minor cap on non-mortgage interest in excess interest income ($10 000)	Fully deductible with cap on non-principal residence interest ($5000)	Same as Treasury One with a phase-in	Similar to current law with more stringent cap

	Current Law (1986)	**Treasury One (Nov. 1984)**	**Treasury Two (May 1985)**	**House Bill (Dec. 1985)**
State and Local Taxes	Deductible	Generally not deductible	Generally not deductible	Deductible
Charitable contributions	Deductible by itemisers and non-itemisers	Deductible subject to a floor for itemisers but no deduction for non-itemisers or for unrealised gains on contributed property	Deductible for itemisers, but no deduction for non-itemisers	Deductible for itemisers, deductible in excess of $100 for non-itemisers
VARIOUS BUSINESS EXPENSES:				
Entertainment Expenses	Deductible	Not Deductible	Not Deductible	80% Deductible
Business Meals and Travel Expenses	Deductible	Deduction denied for meal costs above cap	Deduction denied for 50% of meal costs above cap	Deduction denied for 20% of meal costs
ALTERNATIVE MINIMUM TAX:				
Individual	20%	Not necessary	Retained and tightened	Retained and tightened at a 25% rate
Corporate	15%	Not necessary	Retained and tightened	Retained and tightened at a 25% rate