

# Historic Tax Law to Have Wide-Ranging Impact

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Signed into law on December 22, 2017

- First major tax legislation in the U.S. since 1986
- Achieves many of the long-standing objectives of the Republican Party
- Passed along partisan lines:
  - Senate: 51 votes (every Rep) to 49 (every Dem)
  - House: 227 votes (every Rep) to 192 (every Dem minus 2 that did not vote)
- Truly a corporate tax reform:
  - Most significant changes relate to business taxation
  - Business tax changes are permanent (changes for individuals expire)



## Corporate Tax Reforms Likely Boost Earnings and Free Cash Flow

	Old Tax Code	New Tax Code
<b>Corporate Tax Rate</b>	35%	21%
<b>Treatment of Non-U.S. Earnings</b>	Taxed at 35% Deferred until repatriated  Worldwide system	One-time deemed repatriation - 15.5% for cash - 8% for illiquid assets  Territorial system going forward
<b>Asset Expense Recognition</b>	Must be depreciated over several years	Can be fully deducted immediately (gradual phasedown after 2023)
<b>Alternative Minimum Tax (AMT)</b>	Companies pay their ordinary tax or 20%, whichever is higher	Eliminated
<b>Interest Expense</b>	Fully deductible	Limited to interest income plus 30% of adjusted taxable income

Source: Bloomberg <https://www.bloomberg.com/graphics/2017-republican-tax-proposal/>