

Window On the 2017 Tax Reform Reconciliation Act

February 28, 2018



Some of the critical questions and issues we will be addressing today with regard to the US tax plan

- What effect will lower corporate tax rates have on US corporate behavior?
- How will firms use repatriated capital returning to the US?
- With the US shifting to a territorial tax system, what challenges and opportunities will that present for foreign firms?
- Will other mature and emerging markets have more difficulty attracting capital following the passage of the US tax law?



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Today's Presenters



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Domestic Effects



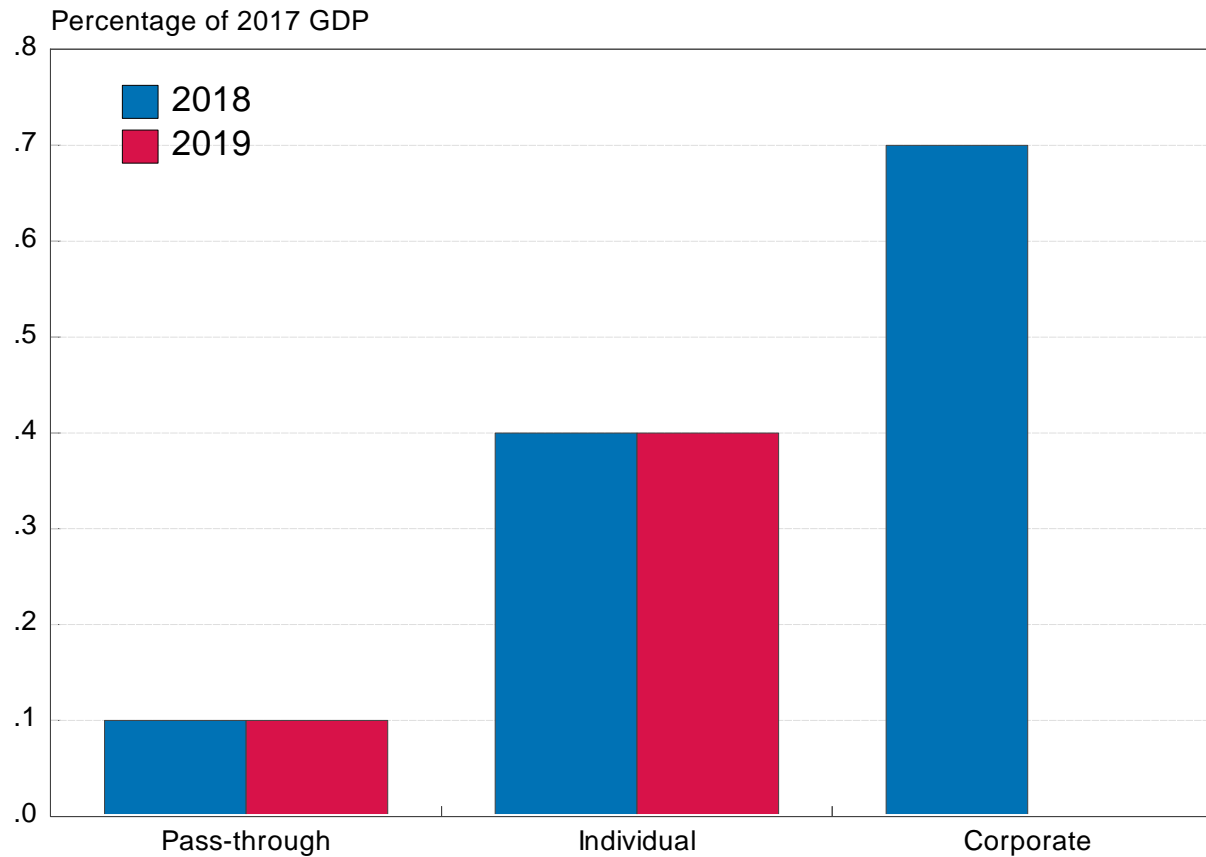
Audience Poll Question #1

Key features of tax legislation for 2018 outlook

- Lower marginal rates for individuals
- Mortgage interest deduction changes hit both low and high end of housing market
- Corporate rate falls from 35 to 21 percent in 2018
- Full immediate expensing of capital investment through 2022
- Pass-through businesses will have the right to deduct 20 percent of income
- \$2.6 trillion in corporate profits held overseas will be taxed at 8 percent for non-liquid assets and 15.5 percent for liquid ones
- Profits earned abroad are subject to a minimum tax



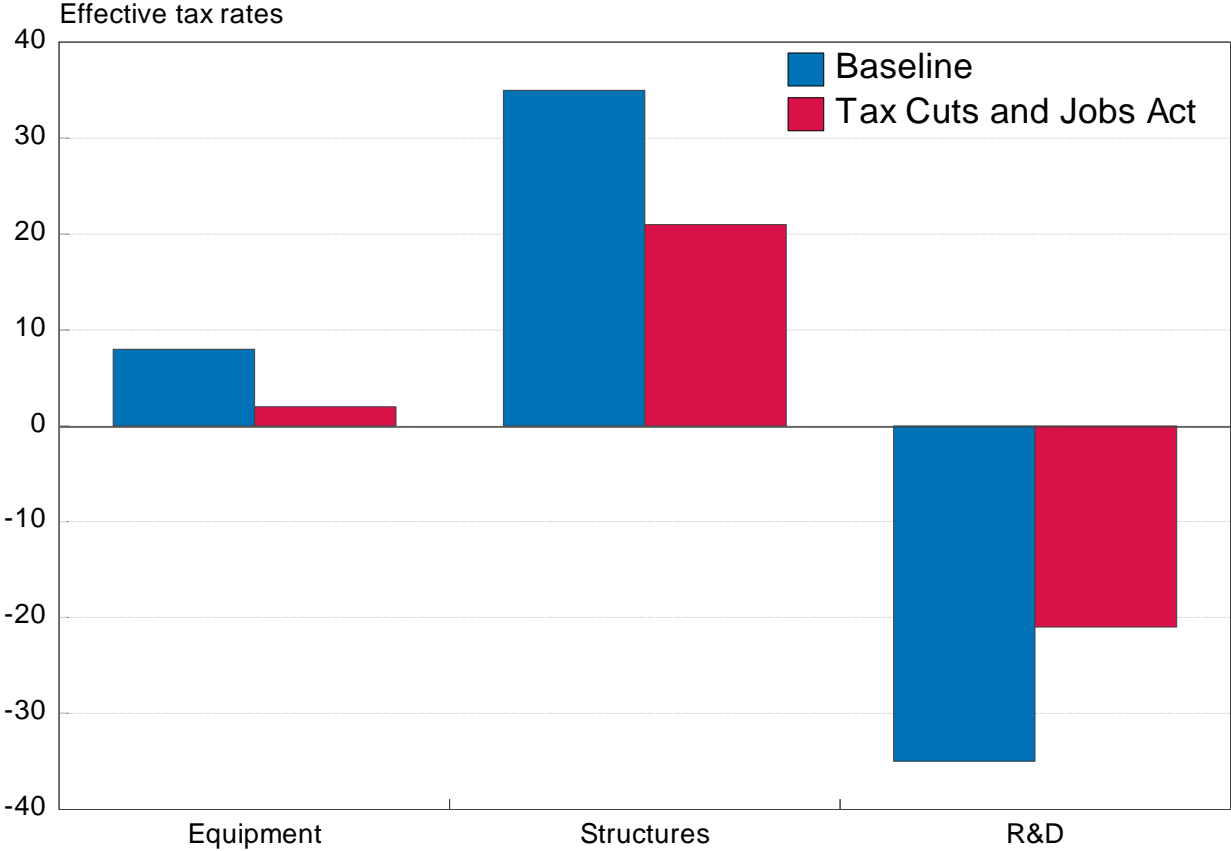
Corporate tax cuts are in full effect for 2018, individual measures are phased in over two years



Note: Figures are adjusted based on timing of fiscal years
Source: Joint Committee on Taxation, The Conference Board



Benefit of expensing R&D less with lower tax rate – so plan favors physical over intangible investment



Source: Jason Furman, from Mathur and Kallen (2017)





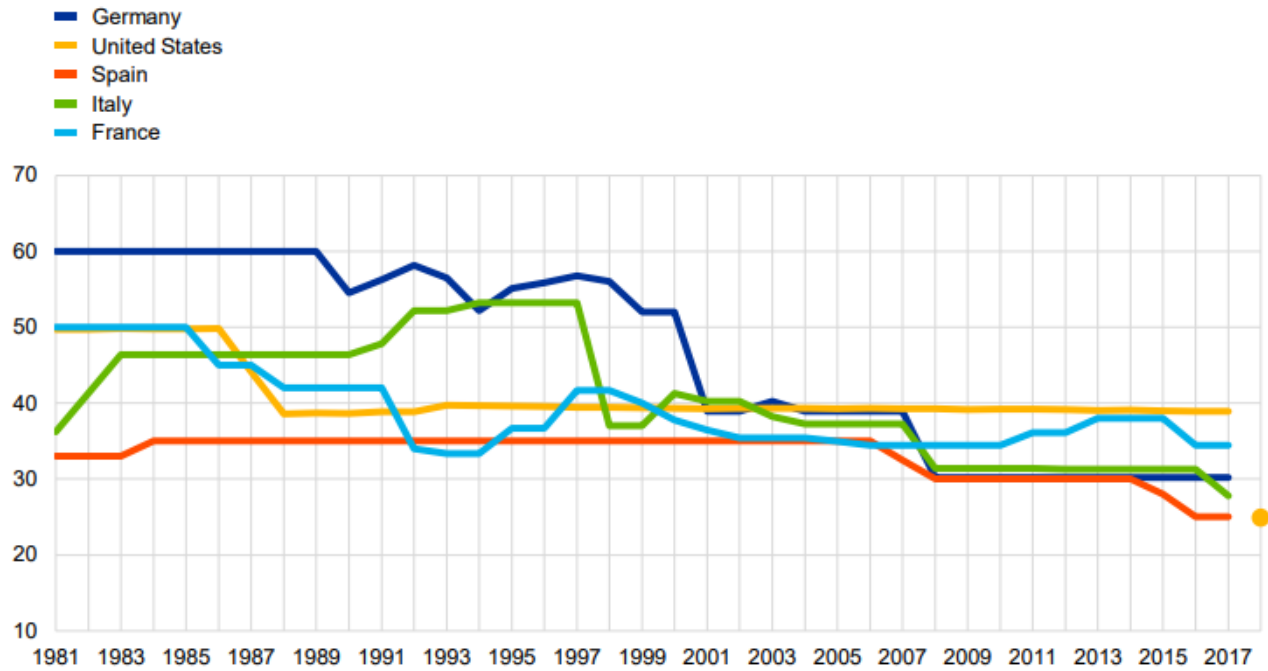
International Effects

Audience Poll Question #2

Compared to the 1980s rates have been converging towards a lower level

Comparison of combined central and sub-central government corporate tax rates

(percentages)



Source: Organisation for Economic Co-operation and Development and ECB staff calculations.

Notes: The combined corporate income tax rate shows the basic combined central and sub-central (statutory) corporate income tax rate given by the central government rate (less deductions for sub-national taxes) plus the sub-central rate. The dot for 2018 is the calculated rate after the reform in the United States.

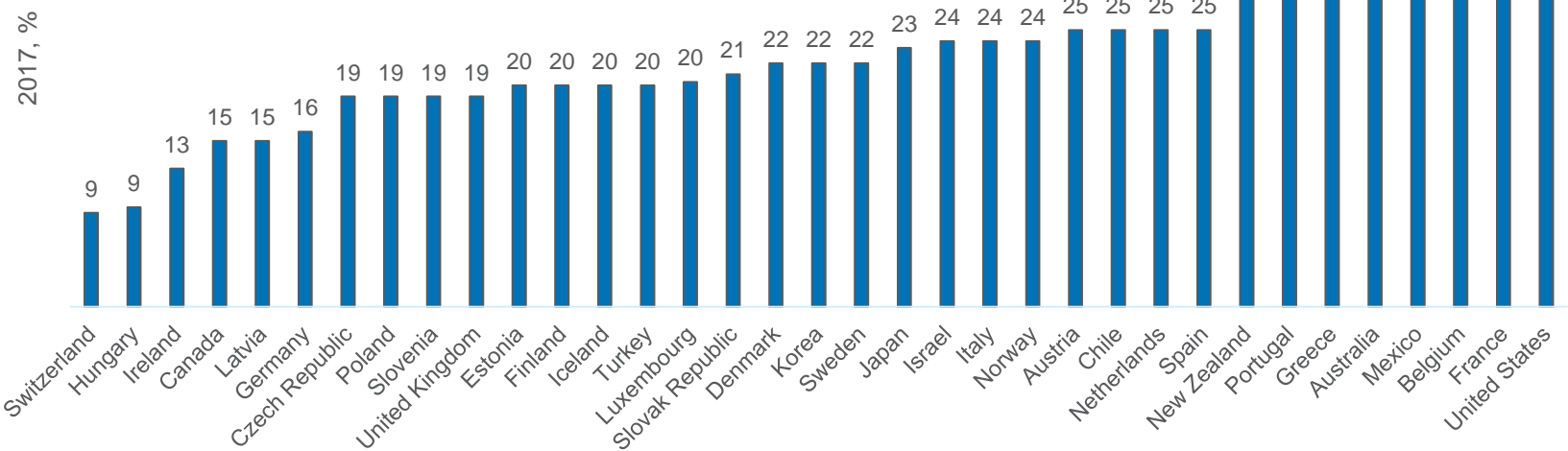


The U.S. rates goes from highest to very competitive

Although statutory is different from effective..



Corporate income tax rate (Includes 4% state and local taxes for US)



Source: OECD



Audience Poll Question #3

Window on Saudi Arabia's Economic and Business Environment

Wednesday March 28, 2018, 11.00-12.00 ET, 17.00-18.00 CET

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Speaker



Bart van Ark
Chief Economist
The Conference Board

Speaker



Hisham AlRazuqqi
Former CEO Gulf
Investment Corporation
and Global Counsellor,
The Conference Board

Other speakers to be announced



Feedback? Suggestions? How Can We Help You?

Thanks for being with us; be sure to tell your colleagues about next month's webcast

Do you have suggestions for future topics? Please feel free to contact Bart Van Ark at: Bart.VanArk@conference-board.org

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