



PRESS BRIEFINGS

Briefing by Secretary of the Treasury Steven Mnuchin and Director of the National Economic Council Gary Cohn

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James S. Brady Press Briefing Room

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MR. SPICER: Never thought so many people would be turning out for the Antiquities Act, but thank you all for being here. Obviously today we're here to talk about the President's effort to provide tax relief to both our corporations that will help grow jobs, and to middle Americans. Two people here to explain it, the Director of our National Economic Council, Gary Cohn, is going to walk through why we're doing what we're doing and then the personal side of the tax. Then Secretary of the Treasury Steven Mnuchin will walk through the business side and the corporate side of what the President is doing to bring jobs back to this country, to make our businesses more competitive and help our economy grow.

At the end, they'd be glad to take questions on this. You are being provided a one-page right not that provides the top level aspects of the plan. And then both the Director and Secretary will go into further detail and take your questions.

So without any further ado, Director Gary Cohn.

DIRECTOR COHN: Thank you, Sean. And good afternoon, everyone, and thank you for being here. This is quite an historic day for us and one that we've been looking forward to for a long time and one we're very excited about.

We have a once-in-a-generation opportunity to do something really big. President Trump has made tax reform a priority, and we have a Republican Congress that wants to get it done. And this is something that, quite honestly, I hope the Democrats would support, too, because it's good for the American people. The President is going to seize this opportunity by leading the most significant tax reform legislation since 1986, and one of the biggest tax cuts in the American history.

We've been working on this for a long time. We've had great meetings. We had a great meeting last night with the leadership of the House and the Senate. We have agreed on many of the important principles of tax reform. We look forward to working together with the House and the Senate, very closely, in the weeks ahead.

The President has focused on three things since his campaign — job creation, economic growth, and helping the low- and middle-income families who have been left behind by this economy. He understands there are a lot of people in this country

that feel like they work hard and they just cannot get ahead. They are sick of turning their paychecks over to Washington and having no idea of how those dollars are spent. They are frustrated by a tax code that is so complicated they can't even do their own taxes.

That's why tax reform is such a big priority to this President. He cares about making the economy work better for all American people.

Here's a little history. When President Kennedy cut taxes in early 1960, the top rate of personal income was over 90 percent and there was rampant tax avoidance. And then, 20 years later, President Reagan took rates down to 28 percent for individuals. Since then, rates have been creeping back up and more loopholes and special interest tax breaks have made their way back into the tax code, disadvantaging average Americans.

And then, on the business side, when President Reagan left office in 1988, the corporate tax rate was 34 percent, and it hasn't changed much since. For the last 25 years, other countries have been aggressively cutting their tax rates and moving to a territorial system in order to attract business. And the U.S. has done none of that. In 2017, we are still stuck with a 1988 corporate tax. That's why we're now one of the least competitive countries in the developed world when it comes to corporate tax.

So tax reform is long overdue. We are going to cut taxes for businesses to make them competitive, and we're going to cut taxes for the American people, especially low- and middle-income families.

Today I'm going to outline the principles we have put in place for personal tax reform, and then I'm going to hand it over to Secretary Mnuchin to talk about the business side.

First, here are a few statistics for you on the individual side. In 1935, we had a one-page tax form consisting of 34 lines with two pages of instructions. Today the basic 1040 form has 79 lines and 211 pages of instructions. Instead of a single form, the IRS now has 199 tax forms on the individual side of our tax code. Taxpayers spend nearly 7 billion hours complying with these tax codes every year. And nearly 90 percent of taxpayers need some help in filing their taxes.

We are going to cut taxes and simplify the tax code by taking the current seven tax brackets we have today and reducing them to only three brackets — a 10 percent bracket, a 25 percent bracket, and a 35 percent bracket. We're going to double the standard deduction so that a married couple won't pay any taxes on the first \$24,000 of income they earn. So, in essence, we are creating a zero tax rate — yes, a zero tax rate — for the first \$24,000 that a couple earns.

The largest standard deduction also leads to simplification because far fewer taxpayers will need to itemize, which means their tax form can go back — yes — to that one simple page that I talked about earlier.

Families in this country will also benefit from tax relief to help them with child and dependent care expenses. We are going to repeal the alternative minimum tax. The AMT creates significant complications and burdens which require taxpayers to do their taxes twice to see which is higher. That makes no sense, and we should have one simple tax code.

As we all know, job creation and economic growth is the top priority of the administration. Nothing drives economic growth like capital investment. Therefore, we are going to return the top capital gains tax rate and dividend rate to 20 percent, repealing the harmful 3.8 percent Obamacare tax on dividends and capital gains. That tax has been a direct hit on investment income and small business owners.

We're going to repeal the death tax. The threat of being hit by the death tax leaves small business owners and farmers in this country to waste countless hours and resources on complicated estate planning to make sure their children aren't hit with a huge tax when they die. No one wants to see their children have to sell the family business to pay an unfair tax. We're going to eliminate most of the tax breaks that are mainly benefits to high-income individuals. Homeownership, charitable giving and retirement savings will be protected. But other tax benefits will be eliminated.

This isn't going to be easy. Doing big things never is. We will be attacked from the left and we will be attacked from the right. But one thing is certain: I would never, ever bet against this President. He will get this done for the American people.

With that, I'm going to turn it over to Secretary Mnuchin to go through the business tax plan, and then we will both come back and take some questions.

SECRETARY MNUCHIN: Thank you, Gary.

So as Gary said, we've been working on this plan for a very considerable period of time. And our objective is to make U.S. businesses the most competitive in the world. Right now, we have a 35 percent corporate rate on worldwide income and deferral. It is perhaps the most complicated and uncompetitive business rate in the world. Not a surprise that companies leave trillions of dollars offshore.

Under the Trump plan, we will have a massive tax cut for businesses and massive tax reform and simplification. As the President said during the campaign, we will lower the business rate to 15 percent. We will make it a territorial system. We will have a one-time tax on overseas profits, which will bring back trillions of dollars that are offshore to be invested here in the United States to purchase capital and to create jobs.

The President is determined to unleash economic growth for businesses. This is not just about large corporations. Small and medium-size businesses will be eligible for the business rate as well.

As Gary said, we have had very productive meetings with the House and Senate, working weekly, to get this done. We will continue to do that. We are determined to move this as fast as we can and get this done this year.

I would also just comment that we will hold listening sessions. One thing this President has done very well is listen. We've had hundreds of business leaders here from all different types of areas — manufacturers, retail, airlines, community banks, big banks. We are listening and we have been taking feedback.

Finally, I would just add, the President's objective is creating economic growth. And as we've said before, we believe we can get back to 3 percent or higher GDP that is sustainable in this country. The overall economic plan consists of massive tax cuts and tax reform, regulatory relief, and renegotiating trade deals. And with that, we will unlock the economic growth that's been held back for too long in this country.

And with that, we'd be both happy to take a few questions.

Q Thank you, Mr. Secretary. When you talk about the individual tax rates you're also talking about eliminating some of the tax breaks. Are you talking about eliminating tax deductions? And which ones are you talking about eliminating, and which ones

are you talking about keeping?

SECRETARY MNUCHIN: Correct, we are going to eliminate on the personal side all tax deductions other than mortgage interest and charitable deductions. We think that will be sweeping reform.

Q Thank you, Secretary. When you talk about lowering dividends and capital gains taxes, how does that mesh with what you said this morning about protecting the middle class from the very, very wealthy who might be able to take advantage of — I don't know a better word than loopholes, but that would give them a lower tax rate?

SECRETARY MNUCHIN: Well, again, what we've said is that the business rate is going to be available for small and medium-size businesses as well as corporations. However, we will make sure that there are rules in place so that wealthy people can't create pass-throughs and use that as a mechanism to avoid paying the tax rate that they should be on the personal side.

And I would just say, on the dividend rate, we believe that restoring the 20 percent capital gains rate is critical to investment in this country.

Q Mr. Secretary, I have a similar question about your pass-throughs. The initial plan that the President as a candidate outlined also included freelance or contract workers in that 15 percent. I'm wondering if that's the same. What's your rate on repatriation funds overseas?

And, Gary Cohn, what about the marriage penalty? The President promised he would eliminate that.

SECRETARY MNUCHIN: Again, I'd comment on the rate of repatriation. We're working with the House and Senate on that, but I will say it will be a very competitive rate that will bring back trillions of dollars. And as it relates to the definition of contractors and things along those lines, those will be the details we will be working with Congress on as we turn this into a bill that will get signed by the President.

DIRECTOR COHN: So as Secretary Mnuchin said, we are working very diligently with the House and the Senate on coming up with final details of the bill. You're going into very micro-details on some of these —

Q And very important ones.

DIRECTOR COHN: We agree, very important. Our basic premise here is to simplify the tax system, lower rates, and make it easy. We don't want to penalize people. We want to make the system very fair. That is one of the things on our list that we're going to work on, just as Secretary Mnuchin said. We will get back to you with definitive answers on all these details.

Q On the 10, 25, and 35 percent rates, do you have income brackets established that you're going to propose?

DIRECTOR COHN: Again, we are in constant dialogue with the House and the Senate. As the Secretary said, we're holding a bunch of listening groups right now. We have outlines; we have a broad-brush view of where they're going to be. We're running an enormous amount of data on the proposals right now. We will be back to you with very firm details. We're very confident to where they're going to be, we just wanted to get out and give you a broad-brush overview where we are.

The President very much believes in taking input, as the Secretary said. Over the next month, we've got a lot of discussions going with a lot of different groups very interested.

Q When you said deductions, does that also mean state and local income taxes being eliminated — those should be eliminated? And how about healthcare?

DIRECTOR COHN: Yes.

Q How about healthcare?

Q Mr. Secretary, thank you. And, Mr. Cohn, either one of you — so when you talk about repealing the 3.8 percent Obamacare tax that hits small business and investment income, is this your first attempt — official first attempt, I guess, with this to start to pulling back on Obamacare? And also, what do you say to your fellow Republicans who say that this tax reform package is more about corporations versus cutting the deficit?

DIRECTOR COHN: This tax reform package is about growing the economy, creating jobs. It's about the economy. As I started, President Trump comes in every day and talks to the two of us about economic growth, economic prosperity, and jobs, and what are we doing to stimulate economic growth. That's how we're looking at this plan.

The 3.8 percent tax on capital gains, dividends and interest — the President looks at that very seriously as being a tax on capital being spent to stimulate economic growth, people putting investment capital to work, or people being taxed on their personal businesses. So we're trying to get rid of that to be more stimulative, to have capital go back into the economy to create more jobs.

Q So it's more business than Obamacare — is it more business than a tax on Obamacare?

DIRECTOR COHN: It's business. It's to stimulate business investment. We are trying to stimulate business investment.

Q So on this, first of all, does it pay for itself? Is this plan revenue-neutral? And secondly, what in here is non-negotiable? When this goes over to Congress, Congress comes back with a 20 percent corporate tax rate or — will the President refuse to sign that?

SECRETARY MNUCHIN: Well, let me just say again, the core principles of this — we've been meeting with the House and Senate and they agree a hundred percent. The core business is make business rates competitive, bring back trillions of dollars to create jobs, simplify personal taxes, create a middle-income tax cut. So those core principle are non-negotiable. And that's something that we all feel strongly about.

As it relates to will it pay for itself, again, I think as we've said, we're working on lots of details as to this. We have over 100 people in the Treasury that have been working on tax and scoring lots of different scenarios. This will pay for itself with growth and with reduced — reduction of different deductions and closing loopholes.

Q Mr. Secretary, if it turns out that congressional estimates, when this has been scored — if it turns out that it actually won't be paid for by growth, it won't keep deficits in check, is the President comfortable with that? Will he sign something?

SECRETARY MNUCHIN: Well, let me just say again, when we look at the deficits, and the deficit has gone from \$10 trillion to \$20 trillion in the last administration, that is a problem and the President is concerned about that. This plan is going to lower the debt-to-GDP. The economic plan under Trump will grow the economy and will create massive amounts of revenues, trillions of dollars in additional revenues.

Let's go in the back.

Q If you don't replace some of the revenue with the border adjustment tax, how will you make up for the deficit caused by the reduction in the corporate tax rate?

SECRETARY MNUCHIN: Well, again, today we're putting out the core principles, which include rates because we think that's a very important part of the plan. We will be working very closely, as I said, with the House and the Senate to turn this into a bill that can be passed and the President can sign. And there's lots and lots of details that we're going into how that will pay for itself.

Q Mr. Secretary, territorial tax system — is that a border adjustment tax? Is it tariffs? What is it?

SECRETARY MNUCHIN: A territorial tax system means that U.S. companies will pay income on income related to the U.S. So it's territorial — U.S. companies would not be subject to worldwide income, which has made them uncompetitive.

Q Are you concerned that perhaps the Republicans might not go along with this just like they didn't fully go along with the Obamacare repeal —

SECRETARY MNUCHIN: Again, I think that there is a lot of desire from everybody to pass tax reform. As Gary said, we are at an historic moment, and Republicans and Democrats want to create jobs and want to help the American people. And as I said, the core principles of this we have agreement on and we will work forward on the details.

Q Thank you, Mr. Secretary. Quick question. You bring up repeal of the death tax, the estate tax. This is an issue that's been going on for decades. And it used to be they were always talking about phasing out the death tax over a period of years. Groups such as Jim Martin's 60-Plus Seniors Association said they wouldn't accept it and wanted immediate killing of the death tax. Is that what this is going to be? Or is it going to be a phase-out measure again?

DIRECTOR COHN: Right now our initial proposal is to immediately phase out — when this proposal becomes effective — to phase out the death tax immediately.

Q You say "phase" and "immediate."

DIRECTOR COHN: With the implementation of the new tax, the death tax would disappear.

Q Mr. Secretary, two questions. One, this is obviously a statement of core principles — it's just one page. Obviously tax reform would be much more complicated. When will we see the details? When will we see the actual plan?

SECRETARY MNUCHIN: We are moving as quickly as we can. So we are working with the House and Senate on all the details. And this is — everybody has an agreement we are going to move this as fast as we can. And when we have an agreement we will release the details and go through it with all of you.

Q And my second question is, will the President release his tax returns so that —

SECRETARY MNUCHIN: The President has no intention — the President has released plenty of information and I think has given more financial disclosure than anybody else. I think the American population has plenty of information on this —

Q Mr. Secretary —

Q Mr. Secretary —

Q Don't the American people have a right to know how it will affect — how this tax reform will affect him personally?

SECRETARY MNUCHIN: Excuse me, other people would like to ask questions.

Q My question is to either you, Mr. Secretary, or to Director Cohn. You mentioned middle-class tax cuts — middle-class families watching this tonight on the news — a family of four, median income \$60,000, what does it mean for them?

DIRECTOR COHN: It's going to be a tax cut.

Q How much?

DIRECTOR COHN: Going to be a tax cut. You're asking the same question that got asked over here. We will let you know the specific details at the appropriate moment. We are in very robust discussions with the Senate and with the House leadership. They are progressing very quickly. And we will continue to give you more details as we have them.

Q — exactly a year ago then candidate Trump was asked if he believes in raising taxes on the wealthy. He said, I do, I do, including myself, I do. So my question is, why isn't he doing that? And will the President end up paying more or less taxes as a result of this plan?

SECRETARY MNUCHIN: Let me just comment — I can't comment on the President's tax situation since I don't have access to that, okay? But I would comment that our objective, okay, is the reduction in taxes will be offset by significant reduction of deductions in other items so that the effective tax rate is what we're focused on.

Why don't we take one more question right here.

Q You might not have seen the President's tax returns, but according to our estimations, by his 2005 returns that are out there, getting rid of the alternative minimum tax would save him \$5.3 — he would only have to pay \$5.3 million in federal income taxes. So your response to those critics who say a lot of what you presented here today could save the President or benefit his own businesses?

SECRETARY MNUCHIN: Again, let me just comment, what this is about is creating jobs and creating economic growth. And that's what massive tax cuts and massive tax reform and simplifying the system is what we're going to do. The AMT is just another example of a third, complicated set of rules.

Anyway, thank you, everybody. We appreciate you guys being here.

END

2:00 P.M. EDT



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