



---

# The American Business Competitiveness Act (ABC Act)

## A BUDGET NEUTRAL PLAN TO CREATE JOBS

### FEATURES:

- **A path to permanent tax reform and a 25% rate on all businesses:** Under the ABC Act, the income tax imposed on American businesses, no matter how they are organized, will decline uniformly over a period of ten years. **In year ten, business taxes will reach a final permanent rate of 25%.**
- **A flat, fair and easily understood system:** The business tax system will undergo a radical transformation. All credits and deductions will be wiped away immediately. Complex inventory rules and depreciation schedules will disappear. In place of these complex and often unfair rules will be a relatively simple system of expensing.

Annual business taxes will be determined by deducting all of the costs associated with operating in the United States from all of the income generated in the United States. Everything will be deducted immediately, including property and heavy equipment which has traditionally been subject to complex depreciation schedules.

- **A tax on actual profits without taxing job creation:** by allowing 100% expensing, with the ability to carry forward excess, businesses face minimal tax in their formative years or when they are investing heavily (thereby creating opportunity in America). However, they pay their full tax when they earn income – no loopholes and no exceptions.
- **An economically sound plan that is fiscally responsible:** the ABC Act will not add to the debt. It is designed to be a budget neutral yet economically powerful. Economists agree that this form of taxation is pro-growth. The Tax Foundation indicates the ABC Act will fundamentally transform the American economy.

The ABC Act has been extensively reviewed by the Joint Tax Committee. Based on their analysis the bill has been carefully crafted to achieve budget neutrality without sacrificing the end goal of a **fair, flat tax system and a competitive 25% tax rate.**

Please send your comments to [ABCTaxplan@mail.house.gov](mailto:ABCTaxplan@mail.house.gov).





# The American Business Competitiveness Act

## **REDUCE TAXES ON ALL JOB CREATORS – a 25% business income tax**

- ✓ All businesses, no matter how they are organized, will be taxed at the same low rate, 25 percent.
- ✓ Individual income taxes are not changed.

## **PRO-GROWTH – encourages job creation**

- ✓ Allows 100 percent expensing, meaning firms will deduct their full operating costs from their current year tax liability.
  - This includes land, buildings, inventory, as well as other tangible or intangible property.
  - Expensing that exceeds taxable income can be carried to future tax years with interest or backwards to reduce taxes from prior years.
- ✓ Growth and investment are the only mechanisms by which a business can reduce their taxes. This creates a powerful incentive for domestic job growth.

## **NO LOOPHOLES – all special tax provisions are eliminated**

- ✓ Eliminates tax credits and deductions for all businesses. There are no special loopholes that advantage one business model or product over another. The government will no longer pick winners and losers.

## **LESS COMPLEX – the rules are easy to understand for everyone**

- ✓ The elimination of deductions and credits simplifies the tax code.
- ✓ Complex property and inventory rules such as depreciations, amortization and depletion are replaced by full expensing.
- ✓ Government-preferences will no longer incentivize the inefficient allocation of resources.
- ✓ Debt will no longer be preferred under the tax code, reducing the pressure on firms to carry debt.

## **SIMPLIFIED INTERNATIONAL TAX SYSTEM – allows stranded income to return**

- ✓ Territorial tax rules will make the U.S. more globally competitive.

