The American Business Competitiveness Act (ABC Act)

SECTION-BY-SECTION SUMMARY

Section 1:

- Short Title – American Business Competitiveness Act of 2015

Section 2:

- Congressional Findings

Section 3:

- The bill would impose a maximum 25% tax rate on the net business income of individuals and corporations. The business tax rate would be phased-in over a ten-year period.

Section 4:

- Moves to cash-flow accounting and full-expensing of business costs. Net business income would be considered taxable receipts minus deductible amounts. Compensation expenses, along with the acquisition of property and use of services for business activity, would be considered deductible amounts. Compensation deductions would be phased-in at 80%, increasing 2% each year, until it reaches 100% in ten years. Mergers, acquisitions, and distributions would not incur any tax penalties. Changes the international tax system to a territorial system. Simplifies the treatment of financial institutions under the code.

Section 5:

- Businesses would be able to preserve depreciation deductions for property. Depreciation deductions for property would continue under current schedules.

Section 6:

- Interest income would be taxed at the same rate as dividends and capital gains.

Section 7:

- Eliminates business depreciation and deductions, with the exception of property as indicated in Section 5.

Section 8:

- Allows businesses to carryback net-operating losses 5 years and carry them forward indefinitely.

Section 9:

- Repeals the Alternative Minimum Tax (AMT) for corporations and individuals in regards to their business income.

Section 10:

- Repeals all business tax credits.

Section 11:

- Eliminates interest expense deduction, with the exception of the home mortgage interest deduction, in regards to business activity. Provides a 10-year phase out for the interest deduction.

Section 12:

- Requires all taxpayers, and businesses, to use the cash method of accounting for tax purposes. Income would be reported in the year received, and expenses would be deducted in the year they are paid.