

Remarks by Treasury Secretary Steven T. Mnuchin before the International Franchise Association's Franchise Expo West

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As prepared for delivery

Los Angeles, CA – Good morning, it is great to be here today at the International Franchise Association with so many small business leaders. This morning the House Ways and Means Committee released a bill that will dramatically cut taxes and reform our tax system. The Tax Cuts and Jobs Act is a bold, pro-growth bill that will overhaul our nation's tax code for the first time since President Reagan's historic tax reform 31 years ago.

Our system today punishes small businesses and family-owned companies – like franchisees – that are formed as LLCs, S-corps, and partnerships. Hardworking American entrepreneurs are unable to benefit from a lower business rate, making it more difficult to compete and generate economic growth. The plan just released will change this. We are going to make it easier to start your own business and easier to be your own boss.

The life of a small business owner today is filled with extensions, itemizations, and complex regulations. As a country, we spend billions of dollars and hours each year preparing for April 15th. While some people benefit from this complexity, it is not the hardworking small business owners. Our goal is to make our system fairer, so that all American business can succeed and local communities can thrive along with them.

The people in this room are why we need to fix the tax system. We need to make it easier for small businesses and middle-income families to succeed in America again.

The only way we can change this and give a raise to American families is by reforming the entire code. It has been over thirty years since we last had tax reform in this country. The world has changed since then and now we need to change the tax code to remain competitive. We want to see more “Made in America” – this requires a tax code made for Americans.

We are proposing four major reforms to the tax code on the personal and business side. The first is tax relief for American families. The second is simplification – eliminating loopholes that make our system complex and unfair. The third is making our business rates competitive again. The fourth is eliminating the incentives that reward offshoring of jobs and keep cash overseas. These reforms will allow everyone, but especially those in this audience – to benefit on both the business and personal side.

We want to level the playing field for our franchisees, domestic manufacturers, and family-owned small businesses that have been forgotten by Washington. We currently tax pass-through entities like LLCs and sole proprietorships at a top rate of 39.6 percent. We are going to lower this to a top rate to 25 percent – that is the lowest top rate for small and medium sized businesses in more than 80 years. This is money that these companies will reinvest into expanding their businesses and creating better paying jobs and more economic growth for our country. We will do this while ensuring that safeguards exist to prevent this from being used to avoid taxes.

America's business tax rate is not only the highest in the developed world, it is far higher than our average economic competitor. Since 1986, when we last passed tax reform, other countries learned from our lesson and reduced their own rates. This attracted companies to set up operations overseas, instead of here at home. This should not be a partisan issue. Everyone recognizes that operating in America should be encouraged and not penalized. We are going to reduce the business rate to 20 percent. This will encourage companies to stay and produce here in America.

Our plan also calls for a massive investment of capital back into our country. We currently have a system of worldwide taxation and deferral that encourages companies to keep their profits offshore. It is not surprising that there are literally trillions of dollars of profits sitting offshore. To fix this, we are going to move to a territorial system of taxation – like most of our economic competitors. This means we will no longer subject American firms to U.S. taxation when they bring their profits home. Those trillions of dollars will flow back into the country. When you combine these rate reductions and repatriation with immediate expensing – allowing businesses to write off new machinery and equipment costs – it will lead to significantly more domestic investment.

The effect of these reforms will be higher economic growth. An additional one percent of growth adds over two trillion dollar of revenues to pay down our debt. Economic growth is not academic – it means better-paying jobs, innovative goods and services. It means economic growth and opportunities for a new generation of Americans.

Our two objectives on the personal side are to simplify the system and provide a tax cut to middle-income Americans. The American people should be able to keep more of their hard-earned money each month. Years of stagnant wages will give way to growing paychecks and increasing labor force participation.

We want to make the tax-filing month of April easier and not as stressful. This is a burden that we will do something about.

Our plan will allow most Americans to fill out their taxes on a single sheet of paper. This is not just money back in the pockets of the American people, it is meaningful time saved. One of the ways we will accomplish this is by removing special interest loopholes and deductions.

We are doubling the existing standard deduction, and under the plan families will be able to take a \$24,000 deduction. This means that the first \$24,000 of family income will be tax free. The plan adds a new family credit and expands the child tax credit, making it easier to raise and support a family. The plan gives a much-needed pay raise to American workers and their families.

While we have been working on developing this plan with the House and Senate since the beginning of this year, today is the first day in moving this bill forward. We have listened to the American people and as this moves through committee there will be more input.

The most important issue is that we pass this tax reform and have it to the President's desk this year. This is critical for economic growth. It is critical for jobs. It is critical for our country. I am confident we will get it done. Thank you all.

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