

# Prepared Statement of General Counsel Brent J. McIntosh Before the U.S. Senate Homeland Security and Governmental Affairs Subcommittee on Regulatory Affairs and Federal Management

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Chairman Lankford, Ranking Member Heitkamp, and Members of the Committee, thank you for the opportunity to discuss the Treasury Department's role in advancing one of the Administration's chief policy priorities—regulatory reform.

Under Secretary Mnuchin's leadership, Treasury's regulatory reform efforts have significantly advanced the President's priorities. As you know, the President issued Executive Order 13771—entitled “Reducing Regulation and Controlling Regulatory Costs”—just days after Inauguration. As the Office of Management and Budget has explained, this Executive Order requires two regulations to be eliminated for every one new regulation deemed significant under Executive Order 12866. Executive Order 13771 also requires that an agency's regulatory actions during Fiscal Year 2017 impose zero incremental cost.

Treasury has taken several deregulatory actions under Executive Order 13771. Additionally, pursuant to the policies stated in Executive Orders 13777 and 13789, Treasury issued one Notice of Proposed Rulemaking to eliminate 298 “deadwood” regulations that are ineffective, unnecessary, or out of date. Treasury has taken zero new regulatory actions within the meaning of Executive Order 13771. And Treasury reduced the total number of regulations that appeared on its Fall 2017 Regulatory Agenda by approximately 100 regulations, on net, from its Fall 2016 Regulatory Agenda.

The President has also advanced his regulatory reform agenda through Executive Orders specifically directed to Treasury. On February 3, 2017, the President issued Executive Order 13772, instructing the Secretary to report on the extent to which existing financial regulations promote the Administration's “Core Principles” of financial regulation, which include empowering Americans to make independent financial decisions, save for retirement, and build wealth; prevent taxpayer-funded bailouts; promote American competitiveness at home and abroad; and make regulation efficient, effective, and appropriately tailored. In response to the President's Executive Order, Treasury has issued a series of reports setting forth more than 250

specific recommendations for reducing regulatory burdens and advancing the Core Principles. Those recommendations have addressed issues ranging from alleviating the burdens on community financial institutions, simplifying the extraordinarily complex Volcker Rule, bringing accountability to the Consumer Financial Protection Bureau, and ensuring competitive U.S. engagement in international standard setting bodies. And we have been pleased to see concrete progress on many fronts already.

On April 21, 2017, the President issued Executive Order 13789—“Identifying and Reducing Tax Regulatory Burdens.” This Executive Order mandated a retrospective review of all significant tax regulations Treasury had issued since January 1, 2016 through its Office of Tax Policy or the IRS. It ordered Treasury to identify any such regulations that impose an undue financial burden on taxpayers; add undue complexity to the Federal tax laws; or exceed the statutory authority of the Internal Revenue Service. In a report to the President on October 2, Treasury identified eight such regulations for modification or revocation. One such regulation under Section 2704 of the Internal Revenue Code would have hurt family-owned and operated businesses by making it more costly to transfer a business to the next generation. Another proposed regulation under Section 103 would have imposed new requirements on municipalities that issue tax-exempt municipal bonds. Treasury withdrew both of these proposed regulations in October.

Executive Order 13789 also directed the Secretary and the Director of the Office of Management and Budget to review and, if appropriate, reconsider the exemption of certain tax regulations from the OMB review process under a Reagan-era agreement entered into in 1983. Treasury has actively engaged in that review with OMB. Throughout the process, Treasury and OMB have prioritized two of the President’s chief policy objectives—ensuring appropriately-tailored regulation and successfully implementing the once-in-a-generation tax reform bill to deliver all the benefits the new law promises the American economy.

In addition to these efforts in support of the President’s regulatory reform agenda, Treasury has of course played a leading role in advancing tax reform. The Tax Cuts and Jobs Act contains hundreds of provisions designed to provide relief to American families and make American businesses more competitive. Swift and successful implementation of tax reform through guidance is critical to unlocking the full economic benefits of the law and carrying out the will of Congress. As one major business coalition recently observed, “the growth impacts of the [President’s tax reform] legislation will not be fully realized if businesses are uncertain about how the [legislation] will be implemented. Thus, delay in issuing guidance will impose a cost on taxpayers and the American economy.”

That is why implementing the new law in a timely fashion is one of the Department's highest priorities. Taxpayers and their advisors rely on timely guidance from Treasury for certainty and clarity in managing their family budgets and business affairs. The U.S. Taxpayer Advocate—our nation's statutory voice for taxpayers—has said that prompt publication of regulatory guidance is “very taxpayer-friendly, reflecting the IRS's effort to offer advance guidance on a complex law, well before many provisions even take effect. Simply put, advance guidance enables taxpayers and businesses to plan.”

We at Treasury agree. As just one example, Treasury and IRS had to begin issuing guidance about taxation of unrepatriated earnings and profits only seven days after the law was passed in order to provide companies and individuals with certainty for purposes of their year-end financial statements. In addition, in early January the IRS released new withholding tables to reflect the changes made by the tax reform legislation so that individual taxpayers could begin to see the impacts of the new law in their paychecks. The new withholding tables were designed to work with the Forms W-4 that people had already filed with their employers to claim withholding allowances. This was done to minimize burden on taxpayers and employers. Since then Treasury and IRS have continued to produce a steady stream of guidance to assist taxpayers in understanding the new tax law and the benefits available thereunder. This work will continue.

Consistent with the President's regulatory reform agenda, Treasury's goal in implementing tax reform is to provide timely and necessary clarity that alleviates the burden of uncertainty for taxpayers, without imposing needless regulatory costs and delays. Thank you for the opportunity to testify today, and I look forward to the Subcommittee's questions.

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