



2020 Advisory Conference

October 27–29


Converging knowledge and behaviors to deepen client relationships

CONVERGE

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TURNING FEDERAL POLICY INTO BUSINESS

October 28, 2020

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Avalara

Rock Island Capital

Speakers list



Dan Ginsburg
Public Affairs Leader
RSM US LLP



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Accounting Methods and Periods Team
RSM US LLP



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Agenda

Topic	Minutes
RSM Public Policy Vision and Approach	25
Tax Planning – Possibly Storm Clouds Ahead	15
Q&A	20



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Objectives

By the end of this course, you will be able to:

- Understand RSM's approach to Public Policy and available resources
- Effectively operationalize RSM's policy and related thought leadership to win business



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RSM PUBLIC POLICY VISION AND APPROACH



*Commentary from
RSM Leaders*

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Our partners need to have the confidence and support to engage with clients on critical policy issues impacting their business.

“ ”

Understanding the policy issues impacting our clients is crucial to really being a First-Choice Advisor and delivering on the Promise of Being Understood.

We need to be more visible in Washington, DC.

Business development is about ensuring our sales organization has current, compelling information, and most importantly, with a clear call to action.

Clients are asking for more insights from us.

We're not doing a great job of bringing distinctive points of view to clients, or looking at issues as business opportunities. We also need to do a better job of holding people accountable.

RSM Public Policy approach – Two pillars



#1



Washington
DC Visibility

Policymaker
Education

RSM Brand

#2



Clients

Partner
Enablement

Actionable
Insights



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RSM Public Policy

**“Championing RSM as the
Voice of the Middle Market”**



Building our D.C. presence

Be recognized by policymakers and Congress as the preeminent voice of the middle market

- Meaningful, sustainable relationships with the D.C. policymaking community
 - Congress; Executive Branch; Third-Party Stakeholders; Media
 - Significant visibility/branding
- Amplify RSM brand through partnerships
 - U.S. Chamber of Commerce – MMBI/related activities; Client Dinners and Events; Accounting Matters
- Engagement on issues impacting RSM/profession
 - AICPA; CAQ



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Ongoing D.C. activities

RSM has steadily increased its engagement/visibility in Washington

- General Education Campaign: Who is RSM and what is the middle market?
 - Meetings with influencers across the political spectrum in Congress, the Executive Branch, foreign embassies and trade associations
- Promotion of the MMBI: Establishing RSM's credentials in the middle market
 - MMBI is a great vehicle to help initiate and maintain substantive conversations
- Intelligence Gathering and Sharing: Trading valuable knowledge and information
 - Offer valuable insights on the state of the middle market economy and, in exchange, receive timely intelligence on the direction of U.S. policy
- Education Versus Advocacy: Minimal "lobbying"



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Plugging in to RSM's MarComms infrastructure

Creating a "Policy Lens"

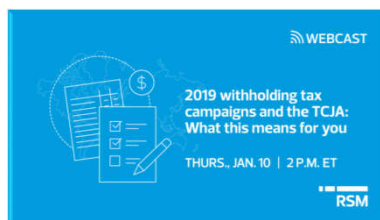
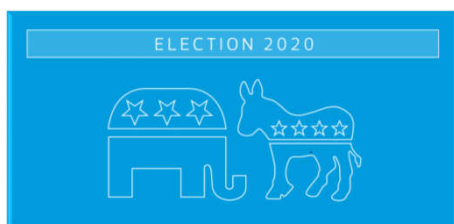
- Important for all appropriate marketing, communications and business development levers to be pulled
- Focus on highly targeted communications (versus one-size-fits-all)
- Make it real for clients – Involve them in your activities!
 - Local events
 - D.C. engagement
 - Clarity around lobbying restrictions and requirements



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Operationalizing significant policy events



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Supercharging Thought Leadership

Good

Demonstrating intelligence to your clients on your most important issues



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Supercharging Thought Leadership

Good

Demonstrating intelligence to your clients on your most important issues

Supercharged

Demonstrating *meaningful engagement* on your *clients'* most important priorities



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TAX PLANNING – POSSIBLE STORM CLOUDS AHEAD

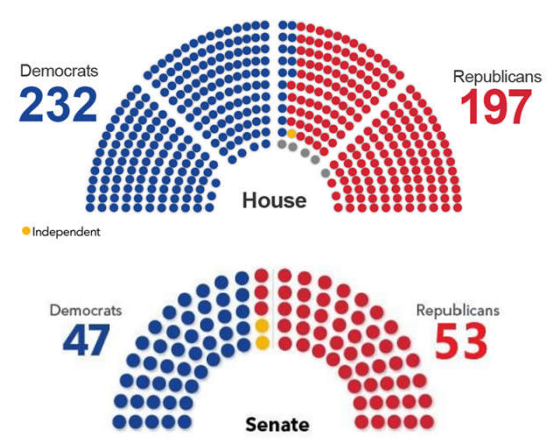
Two major storm clouds may effect taxes and tax planning

**Federal elections
(November 2020)**

- Presidential
- Congressional
 - All of the House of Representatives
 - One-third of the Senate


Fiscal response to COVID-19

- Federal (domestic)
- International
- State and local




Source: Bloomberg Government

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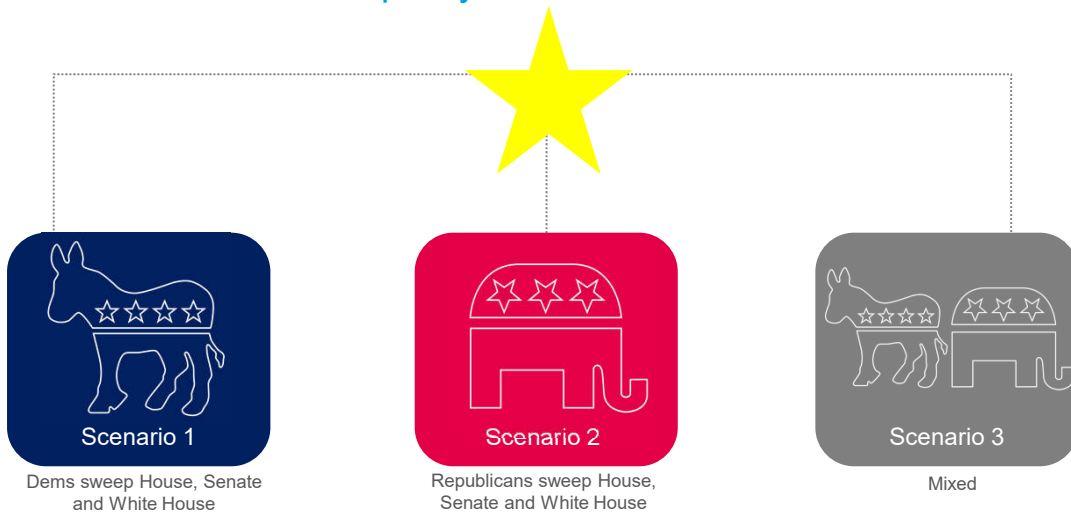
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RSM

Post-election: Federal tax policy?



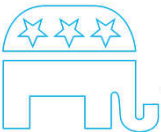
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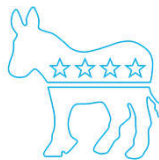
Republican tax plan

- Make TCJA tax rates permanent
 - Individual
 - Capital gains
- Full Expensing for certain businesses
- Tax credit for bringing businesses back from China



Democratic tax plan

- Corporate
 - Increase the corporate income tax to 28%
 - Establish a corporate minimum tax on book income in excess of \$100million
- Individual
 - Repeal the TCJA components for high-income earners (maximum tax rate of 39.6)
 - Impose 12.4% Social Security payroll tax for wages above \$400K
- Rates
 - Long term capital gains
 - Dividends
 - Pass-throughs



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International Tax possible changes and planning opportunities



Change

Eliminate preference for dividends and capital gains: applicable to distributions from foreign corporations and section 1248 dividends.

Planning

- Distribute earnings in 2020, method changes that accelerate income and delay deductions
- Retroactive Qualified Electing Fund (QEF) for PFICs to be taxed at capital gains rates in prior years

Change

Increase GILTI rate from 10.5% to 21%

Planning

- Review blocker structures – to determine if change to flow through structure is beneficial over corporate blocker
- Accelerate income and defer deductions to maximize benefit of current lower GILTI rate



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Timing, when will all this take place?



Legislative

- Macro: what year will legislation be enacted
- Effective date

Regulatory

- Tax Reform
- New guidance for any legislative changes

Planning Implications

- What year to take any remedial steps



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Lame Duck Period

- Legislation
 - More stimulus
 - Tax provisions
- Regulatory
 - Tax Reform
 - Guidance in support of legislative action



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US Treasury Department

- Leadership
 - Secretary
 - Assistant Secretary for Tax Policy
 - Commissioner
 - Chief Counsel
- Regulatory Agenda
 - Tax Reform
 - Guidance in support of legislative action
- Tax Administration



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State and local: Significant increases ahead

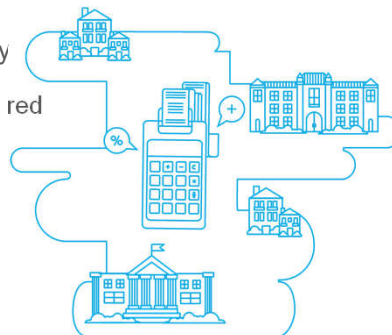
- **State and local level fiscal cliff**

- \$600B+ revenue short fall over the next two years if recovery starts now
- It's a big tent: All states, and many localities, are deep in the red
- 48/50 states have a balanced budget requirement
- Spending cuts, fiscal "magic," and rainy-day fund raids can't close the gap

- **Governments have limited high-impact revenue-raising options**

- Individual income
- Sales and use
- Property
- Gross receipts

- **More bark than bite: Corporate income and franchise taxes**



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Domestic federal tax possible response to rate changes: Planning in reverse examples

Accelerate income / delay expenses

- Terminate installment plans – Accelerate income into 2020

Transaction related

- Pull forward possible taxable transaction(s)

Accounting methods

- Method changes with a section 481(a) adjustment to accelerate income/delay expenses

Capital expense plans

- Depreciation: Elect out of bonus on a class-by-class basis (can only elect out of 5 year property, etc.)

Investment holdings

- Plan exit for LTCG before tax rate increase. Unique sector implications such as, carried interest if LTCG rates rise to STCG equivalent, time value of money considerations over the 3-year period



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