

## **Burdensome Tax on Imports Included in Republican Blueprint for Tax Reform**

The election of Donald Trump has given Republicans in Congress the opportunity to enact comprehensive tax reform. The business community should welcome this, as the plan is designed to lower corporate tax rates to 20 percent; however, businesses that have a global supply chain of any size will be severely impacted by a provision in the **reform blueprint** labeled as the Border Adjustability Tax (BAT).

Simply put, the BAT would exempt a business from tax on export sales, subject imports to a new tax and apply a border adjustment to all goods, services and intangibles. Businesses would be denied the ability to take the costs of an import as an expense deduction when calculating taxable income. In addition to eliminating the tax on export income, a company would also receive a rebate or credit in an amount equal to the cost of producing the export, including labor costs.

Proponents believe that applying this border adjustment would level the playing field for U.S. companies versus their foreign competitors that currently benefit from the border adjustability of Value-Added Taxes (VAT) in other countries. It is also assumed by many supporters that floating currencies will adjust to the new policy, but this assumption does not take into account trade with countries that do not float their currency.

There is no current legislation featuring this proposal, but Republican leadership has already started to argue that this plan will give rise to a made-in-America manufacturing revival, the hallmark policy of President-Elect Trump. The Auto Care Association is fully engaged in this issue and has already joined forces with a broad coalition of major trade groups in Washington to ensure that legislators are aware of the enormous effect the BAT will have on both our members and the end consumer.

The association recognizes that the tax implications of losing expense deductions for imported products would be significant, and to that end we are asking members to assist us in a simple benchmarking so we have a more accurate gauge of the impact on individual companies when communicating with members of Congress and their staff.

Please direct all responses, requests for more information or any inquiries to Paul Fiore at [paul.fiore@autocare.org](mailto:paul.fiore@autocare.org). All responses are confidential.

### **Benchmarking Questions**

1. What percentage of your inventory is imported? \_\_\_\_\_
2. If the corporate tax rate were reduced to 20 percent, what would your effective tax rate be if you could not deduct the cost of imports? \_\_\_\_\_
3. How does your answer to question 2 change if the corporate tax rate were reduced to 15 percent? \_\_\_\_\_

Please return answers to [paul.fiore@autocare.org](mailto:paul.fiore@autocare.org) by Friday, Dec. 16.