

THE
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TAX
ANNUAL
SUMMIT

El impacto mundial de las elecciones presidenciales de
Estados Unidos en términos de impuestos y derechos de privacidad.
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The Headline Results

- Donald Trump wins a commanding victory in the Electoral College (and a narrow victory in the popular vote).
- Republicans win control of the United States Senate.
- Republicans retain control of the United States House of Representatives.



Potential Fiscal Implications

- The good news is:
 - The 2017 reforms to the personal income tax will likely be extended/made permanent (corporate rate reduction already is permanent).
 - Other good tax cuts are possible, such as territorial taxation for overseas Americans.



Potential Fiscal Implications

- The bad news is:
 - Lots of gimmicky tax proposals that may crowd out good reforms (exempting tips, exempting overtime, exempting Social Security, etc).
 - The risk of a border-adjusted tax as a “pay-for” to make the math work (more later).



Potential Fiscal Implications

- What about spending and debt?
 - Profligacy by every president this century (Bush, Obama, Trump, and Biden) has increased the size of government.
 - The U.S. now has massive deficits, which at some point (in one month? in 10 years?) will produce economic instability.



Personnel Is Policy

- Who will be Trump Treasury Secretary?
- Who will be his Director of the Office of Management and Budget?
- Who will be in charge of his National Economic Council?
- Who will head the Council of Economic Advisors?



International Tax Issues

- Potentially big implications:
 - Will the U.S. blow up the global corporate minimum tax?
 - Will the U.S. defund the Organization for Economic Cooperation and Development?
 - Other issues such as global wealth tax, U.N. power grab, etc.

Defanging the OECD

- Past efforts to defund the OECD have been unsuccessful.
- Grim fiscal outlook may increase odds of success.
- Past efforts to stymie the OECD have worked (though only temporarily).
- Very few allies in other nations.



Impact of Protectionism

- The bad news is that the executive branch in the United States (i.e., the president) has considerable unilateral power to impose tariffs.
- Is Trump serious about 10 percent-20 percent taxes on imports from friends?
- Is he serious about 60 percent tariff on China?



Trade Taxes as a “Pay-For”

- Some Republicans want to channel Trump’s protectionism in a better direction.
- Use trade taxes as a “pay-for” to finance pro-growth tax cuts.
- However, going back to the fiscal system of the 1800s (financing government with tariffs) is a fantasy.



Border-Adjustable Tax

- Proposed by House Republicans in 2017.
- Would replace corporate income tax with a cash-flow tax (good idea) but then exempt all income from exports and disallow any deduction for cost of imports (bad idea).
- Plays to Trump's protectionist instincts.



BAT = Massive Disruption

- Other nations will not meekly sit on their hands if the U.S. enacts the border-adjusted tax system.
- Will they take the U.S. before the World Trade Organization?
- Will they adopt their own versions of the BAT?
- Will the BAT morph into a value-added tax?

Carbon Protectionism

- Trade barriers based on carbon emissions is another destabilizing idea that has lots of support in Europe and some support in the United States.
- Would Trump support this idea? A tempting “pay-for”?



The Long-Run Outlook

- The first major long-run issue is America's grim fiscal situation.
- Trump is opposed to entitlement reform.
- Left on auto-pilot, the fiscal burden of government will increase dramatically.
- This inevitably means massive tax and debt.

The Long-Run Outlook

- The second major long-run issue is the likelihood of big political gains for the left over the next four years.
- Will Dems win Congress in 2026 (like they did in 2018)?
- Will they then win total control of government in 2028 (like they did in 2020)?



The Rest of the World

- Most other major governments are not friendly to taxpayers, so any potential good steps by Trump will not be matched elsewhere.
- Even in a best-case scenario (U.S. abandonment), the OECD will still exist.
- However, potential good election outcomes in Canada and Germany.



Conclusion

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