THE NEW ENGLAND COUNCIL

New England Council Financial Services Committee
Statement of Concerns Regarding the Tax Cuts and Jobs Act
December 8, 2017

The New England region has long been a center for the global financial services industry and is home to some of the nation's largest banking institutions and top financial services firms. Our members include life, health and property casualty insurers; commercial and community banks; credit unions investment houses of every variety; and other financial institutions. The Council wanted to share input we have received from our members in the financial services industry regarding both versions of the recently passed Tax Cuts and Jobs Act.

Given your role as a member of the conference committee, the New England Council would like to share the concerns of our members with regards to both the House and Senate versions of the Tax Cuts and Jobs Act. Many of our members feel that the following provisions would not only have a negative impact on the financial services and insurance industries in New England, but also across the country. The New England Council would like to highlight the following provisions:

First-In First-Out (FIFO) – While not in the House version of the bill, the Senate legislation includes language that would require investors to determine their investment holding periods as well as determine their gains/losses on a FIFO basis. Our members in the financial investment industry have voiced their concerns with this provision and feel that it would a negative effect on fund investors and other taxpayer's investment goals.

Implementing a FIFO process would not only increase taxes substantially on ordinary investors, but it would also fundamentally change the way investors make their own financial decisions. Additionally, taking away the freedom of choice would complicate planning, earning compensation, retirement, and giving for investors across New England. The New England Council does not believe this is the correct path towards simplification of the investment process.

State and Local Tax Deduction (SALT) – Unlike the House version of the Tax Cuts and Jobs Act, the Senate version eliminates the SALT deduction for individuals and preserves it for businesses. According to a 2016 study by the Tax Policy Center, individuals living in New England states would see a significant average tax increase if the SALT deduction were repealed.

The impact of the average tax increase would be greater in states with higher income and property taxes, creating a tax increase for all New England states if SALT were repealed. On average, the New England states would see the following tax increases: Connecticut 4.7%, Maine 3.2%, Massachusetts 3.9%, New Hampshire 2.3%, Rhode Island 3.9%, and Vermont 3.0%.

Deductibility of FDIC Premiums - Under current law, banks can deduct the insurance premiums they pay for deposit insurance to the FDIC from their federal taxes. The Senate tax reform legislation would eliminate this deduction entirely for banks with more than $50 billion in assets and phase out the deduction for banks with $10 billion to $50 billion in assets. This provision would essentially serve as a tax increase on the banking industry, particularly larger community banks and regional banks.

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Global Intangible Low Tax Income (GILTI) – The GILTI provision in the Senate legislation taxes "excessive returns" earned overseas in low-tax jurisdictions, impacting many New England financial institutions who conduct business overseas.

For more information on the Council's Financial Services Committee, please contact Griffin Doherty at gdoherty@newenglandcouncil.com or (202) 547-0048.