



New England Council Financial Services Committee
Statement of Concerns Regarding the Senate Tax Reform Proposal
November 29, 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 the Senate's proposed tax reform legislation.

As you know, the Senate's version of the Tax Cuts and Jobs Act contains many provisions that would impact the financial services and insurance industries across the country. Based on the collective feedback we have received from our members; the New England Council would like to highlight the following provisions:

First-In First-Out (FIFO) – 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 have a negative effect on fund investors and other taxpayer's investment goals.

Additionally, our members believe that the proposed FIFO changes would limit the choices the New Englanders would have with regard to their investments and would increase the complexities and tax liabilities that are related to the selling of their securities.

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individuals living in New England states would see a significant average tax increase if the SALT deduction were repealed.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in states with higher income and property taxes, creating a tax increase for all New England states if SALT were repealed.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.

The New England Council

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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 gdoherly@newenglandcouncil.com or (202) 547-0048.

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