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## Financial Institutions

- House GOP Plan Has Few Answers on Taxes for Financial Sector  
BNA Snapshot
- Big concerns on removal of deduction for net interest expense
- Debate ahead on whether, how financial institutions should be taxed



By Alison Bennett

The financial industry and Congress face a struggle as lawmakers try to decide how to tax financial institutions under a House Republican plan to convert the U.S. corporate tax system into a sales-based cash-flow system.

The issue remains a big one, as different industries wrangle over the impact of the plan and lawmakers try to find a way to move some kind of tax reform this year.

There are few answers for the financial sector in a House GOP blueprint proposing a destination-based cash-flow tax, private-sector and congressional speakers said April 20 at a D.C. Bar tax section event. The tax, which is hotly debated, would apply to the consumption of goods and services in the U.S.

### To Tax or Not to Tax?

Viva Hammer, legislation counsel for the Joint Committee on Taxation, said a debate is looming on the question of whether financial institutions should be taxed.

With a lot of money in the financial sector, “to exempt them from tax would look a bit odd,” Hammer said. The issue goes to whether companies are paying their fair share in a tax system designed to contribute to the social network, she said.

Panelists Hammer and Steven Bunson, managing director at Goldman Sachs Group Inc., and panel moderator David S. Miller, a partner at Proskauer Rose LLP in New York, said a host of technical issues need to be ironed out.

In one of the biggest concerns for the financial industry, the proposal would eliminate the net interest deduction and would only let businesses deduct current interest against current income—a feature that could throw a huge wrench into a vast number of intricate financial transactions.

Questions also abound on the treatment of financial services and what to do with foreign companies that do financial business in the U.S. online but don't have a physical nexus here.

### Investment Industry Concerns

A specific part of the financial sector—the investment industry—also has concerns about the GOP blueprint.

Speaking at a separate panel, a tax attorney for the Investment Company Institute said the industry has almost no indication from the blueprint about how funds and other types of investment entities would be treated.

“The devil is in the details and we don't have any details,” said Karen Lau Gibian, ICI associate general counsel for tax law.

Questions surround how the proposal would treat companies that provide financial services to investors—an area where the document provides almost no guidance.

Gibian said another concern would be what happens if the border adjustability proposal doesn't go through and Congress has to look for other money to fund tax cuts. The worry is that lawmakers would look to retirement savings. “There's a lot of money out there,” Gibian said.

Tax Analysts co-sponsored the conference.

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