

DO YOU KNOW?

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A free periodical to promote education and alert you to important areas of interest in the financial valuation, fraud, and litigation services profession.

Do You Know...

... when in 2017 the TCJA was known or knowable?

We say the fourth quarter of 2017. Take a look at the press releases around this time. What were the political pundits and business pundits saying about the potential for the tax law passing? Remember, it passed by very little; it passed by 51 votes in the Senate. If you can support that there was a reasonable amount of certainty about the tax bill being put into effect as of the fourth quarter of 2017, then we think you would value it with the new rates. You should disclose that's what you did and the reasoning for what you did, and add a section or an addendum that has quotes from the various press sources.

Where is the bright line? Obviously December 22nd is a bright line and probably a little earlier in December when the Senate passed the bill. President Trump also had to wait a few days due to procedure issues before he signed the bill into effect. There's no bright line, but you take a look at what the risk could be. You could use the new tax rates and then increase your discount rate because of the uncertainty. For further support, see the timeline in the exhibit below. Given this information (along with various predictions on the passing of the bill), I believe there is support to assume the new tax law as of the last quarter of 2017.

TAX CUTS AND JOBS ACT (TCJA) TIMELINE

April 26	Trump releases a set of tax principles*
July 27	Big Six** release statement of principles
Sept. 27	"Unified framework for fixing our broken tax code" unveiled***
Oct. 5	House passes budget
Oct. 19	Senate passes budget
Oct. 26	Final budget passes
Nov. 2	TCJA introduced in House by Congressman Kevin Brady(R)
Nov. 6	Ways and Means Committee mark-up (through November 9)
Nov. 9	Ways and Means Committee passed the bill (24/16)
Nov. 9	TCJA introduced in the Senate
Nov. 13	Senate Finance Committee mark-up (through November 16)
Nov. 16	House passes TCJA (227/205)
Nov. 28	TCJA clears Senate Budget Committee
Dec. 2	Senate passes the TCJA (51/49)
Dec. 4	House moves to go to a conference committee
Dec. 6	Senate moves to go to a conference committee
Dec. 15	Conference committee signs the final version
-	The final version contained relatively minor changes from the Senate version
Dec. 22	The President signed the bill into law

*National Economic Director Gary Cohn (R) and Treasury Secretary Steven Mnuchin

**The "Big Six" - House Speaker Paul Ryan (R-WI), House Ways and Means Committee Chair Kevin Brady (R-TX), Senate Majority Leader Mitch McConnell (R-KY), Senate Finance Committee Chair Orrin Hatch (R-UT), National Economic Council Chair Gary Cohn, and Treasury Secretary Steve Mnuchin

***The White House, Republican leaders of the U.S. House and Senate, and the chairs of the House and Senate tax-writing committees

**To learn more about the impact of the Tax Cuts and Jobs Act
on business valuation, attend Jim Hitchner's new webinar on July 18th.**