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## Tax Reform Could Be Pushed to 2019 as GOP Focuses On Health Care

By Emily Stewart

May 9, 2017

<https://www.thestreet.com/story/14125977/1/tax-reform-could-be-pushed-to-2019-as-gop-focuses-on-health-care.html>

House Speaker Paul Ryan on Tuesday [reiterated his promise](#) that tax reform will get done this year. Wall Street's not so sure.

Investors and analysts are split on what's next for taxes in light of a renewed effort on Capitol Hill to tackle health care. The House of Representatives last Thursday passed the American Health Care Act, sending the legislation to the Senate, where GOP lawmakers have [admitted](#) the process is likely to stall.

Wall Street agrees health care efforts will probably delay tax reform, but there's little consensus on the timeline -- some say it will still come this year, others say it could be put off until after the 2018 midterms.

**Goldman Sachs** ([GS](#)) analyst Alec Phillips has taken a more cautious view.

On the one hand, the GOP's ability to rally support for the AHCA in the House signals the party might be able to form a working majority on tax reform, he said in a Friday note. On the other hand, the bill is going to extend the timeline on taxes.

Not only does Congress have to contend with health care reform, but it will also have to tackle a spending bill and the debt ceiling in the fall. Tax legislation might not see the light of day until at least the second half of 2017, if not early 2018, Phillips said.

"While there is no obvious political reason that a simple tax cut could not be enacted in early 2018, further delays could push consideration of tax legislation too close to the upcoming midterm election, reducing the likelihood that tax legislation is enacted in the next two years," he said.

In other words, the closer midterm elections get, the more complicated tax reform becomes. And that could put tax reform off until 2019.

Washington, D.C.-based research firm Height Securities in a note Friday made a bullish case for tax reform despite efforts on the AHCA, arguing that "at worst" tax reform faces procedural delays of about a month. "This is hardly a knockout blow to the tax reform process," analysts Peter Cohn and Andrew Parmentier said.

Failure to pass the health care measure at this point would be a "catastrophic political defeat" for the GOP that could kill momentum on tax reform, they said. "We do not see a downside to this point of continuing to press for a health care win; failure at this point is not an option politically and success will only delay tax reform by about a month," they said.

Compass Point's Isaac Boltansky in a Monday [note](#) explored both the bull and bear cases for tax reform and came down somewhere in the middle.

"We view the House passage of AHCA as a negative development for broader tax reform efforts," he said. "Although we believe AHCA's passage further complicates the political calculus for tax reform, we remain committed to our belief that this Congress is likely to produce a narrow package of tax cuts. We expect the House Ways and Means Committee to hold a hearing on tax reform in May and for a more detailed White House plan in June, although both dates could easily slip."

Investors and businesses are banking heavily on reform. Trump has proposed slashing the corporate tax rate to 15% from 35% (most agree the rate won't ultimately get quite that low) as well as a repatriation holiday for cash held abroad at an unspecified rate. Such a holiday [would be a boon](#) for companies like **Apple** ([AAPL](#)), **Microsoft** ([MSFT](#)), **Oracle** ([ORCL](#)), **Citigroup** ([C](#)) and others.

The spending reductions and tax cuts entailed in the AHCA sort of greases the wheels for future tax reform, Michael D'Addio, principal at accounting and advisory firm Marcum LLP.

"One of the significant elements of the House trying to pass the AHCA is the fact that a lot of the tax cuts that otherwise would be in the broader bill are now contained in the AHCA, plus the AHCA has a lot of spending cuts," he said. "That helps them fund the tax bill that is now going to be proposed, particularly taking it through the reconciliation process, where it has to be basically deficit-neutral."

Michael Greenwald, partner at New York-based accounting and consulting firm Friedman LLP, said slowing down on tax reform is probably a good thing.

"Tax reform is something that you do slowly and deliberately and with a lot of thought and study," he said. "If renewed attention on health care causes tax reform to slow down a little bit, I'm all in favor of it."

He emphasized that what weighs on the business community is uncertainty more than it is timing. [Trump's one-page list of tax proposals unveiled in late April hardly provided clarity](#).

"One of the biggest impediments to economic growth is uncertainty," Greenwald said. "Businesses want to know what the landscape looks like."

And uncertainty out of Washington isn't likely to go away any time soon. Case in point: Speaker Ryan and House Majority Leader Mitch McConnell on the AHCA.

Ryan in an interview with "Fox and Friends" on Tuesday [said](#) the legislation should take a "month or two" to get through the Senate. McConnell on Monday offered a much more restrained view. "This process will not be quick or simple or easy, but it must be done," he said.