PREPARING FOR NOVEMBER 8:
WHAT MIGHT HAPPEN TO YOUR TAXES AFTER THE ELECTION?

With the 2016 General Election drawing nearer, public debate about tax reform has reached a fever pitch. Both Hillary Clinton and Donald Trump have released their economic policy proposals, including their ideas for updating the United States' labyrinthine tax code, and many businesses may be wondering what the future holds for their federal tax liabilities.

So, what might happen to your taxes come January 2017, when a new President and new Congress take office? The short answer is, "Not much."

During the election cycle—and particularly during presidential election cycles—it is all too easy to get caught up in policy proposals and campaign rhetoric. But the fact is, federal tax reform is more like an aircraft carrier than a speedboat. It is subject to a complex and slow-moving legislative process requiring compromise on the part of both the President and Congress, meaning whatever a candidate proposes now is unlikely to look much like what is eventually signed into law.

But that doesn't mean it should be business as usual for your tax planning.

Here are the top 4 things financial and tax officers should be thinking about as we approach November 8 and the end of the tax year:

1. KNOW YOUR 2016 TAX LIABILITIES.

It is highly unlikely that your 2016 taxes will change between now and the end of the year—so you already have all the information you need to get a head start on your year-end tax planning. Don't wait to see how the election shakes out.

2. STAY ABREAST OF RECENT TAX CHANGES.

A number of recent legislative and regulatory developments could impact your business long before any new initiatives make their way to the next President's desk. There have been both positive and concerning changes. The good news is that legislation like the Protecting Americans from Tax Hikes (PATH) Act, passed in December 2015, makes permanent over 20 key tax provisions, including the research tax credit, enhanced Code Sec. 179 expensing and the American Opportunity Tax Credit, in addition to extending other provisions. On the flipside, however, the Treasury has ramped up efforts to discourage so-called earnings stripping, issuing anti-inversion guidance and new Sec. 385 regulations that could impact intercompany debt classifications.

3. KEEP AN EYE ON WHAT'S HAPPENING BEYOND YOUR BORDERS.

Federal tax reform may be slow-moving, but the OECD's Base Erosion and Profit Shifting (BEPS) initiative continues to move forward, with implications for U.S. multinationals. The IRS and Treasury will continue to lead U.S. efforts on this front, so businesses should be watching to see who the next President chooses to head up the Treasury Department, and what he or she prioritizes.

4. CLOSELY WATCH WHAT'S HAPPENING AT HOME.

Many businesses incur the majority of their tax liabilities at the state and local level—and state and local governments tend to move tax changes along at a much more rapid clip than their federal counterparts. These changes, such as Oregon's proposed gross-receipts tax on large corporations or various "sin taxes" being explored in a variety of municipalities, could stand to have a major impact on your business. More importantly, these developments often occur independent of federal election cycles, so businesses must constantly monitor what's going on in their own backyards.

One thing BDO has learned over the past century is that good business sense prevails in times of uncertainty. And with this year's election generating plenty of uncertainty, businesses would do well to resist the current hyperbole and day-to-day fluctuations in candidate talking points, and instead focus on sound strategic planning based on the facts on the ground.

For more information about tax reform, the PATH Act and the OECD's BEPS initiative, read our 2016 Tax Outlook Survey. And for more information about BDO's Tax practice, follow us on Twitter at @BDO_USA_Tax, or contact:

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