

Destination-Basis, No; Trump Imputation, Yes

To the Editor:

My coming *Tax Notes* article, which is tentatively entitled “Why Trump Should Reject the DBCFT and Stick to His Original Imputation Proposal,” will demonstrate that with or without the predicted currency adjustments, the destination-basis element of the destination-based cash flow tax (DBCFT) is antithetical to the concept of horizontal equity and, for that reason alone, should be rejected. It is my strong belief that the principal reason the House Republicans are proposing the DBCFT at this time is for the purpose of using it as a Trojan Horse (that is, it looks good on the surface, but will present significant problems) for the enactment of a territorial system, which virtually all Republicans, with the exception of President Trump, have supported.

My article will show that the argument in favor of the destination-basis element of the DBCFT is an argument against a stand-alone territorial system. The country cannot adopt a territorial system without a DBCFT or a similar feature to prevent the base erosion and profit shifting that is inherent in a stand-alone territorial system.

Given the defects in the destination-basis concept, my article will urge Congress and President Trump to (1) reject the DBCFT and territoriality and (2) adopt the imputation system originally proposed by President Trump with base broadening and a lower corporate tax rate. (See Samuel C. Thompson Jr., “Hooray for Trump’s Proposal to End Deferral,” *Tax Notes*, Oct. 5, 2015, p. 157.)

Sincerely,

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