

# VIRTUAL COFFEE TALK

## Analysis of Environmentally Friendly Green Book

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Wolters Kluwer



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# Agenda

- 1 The Green Book
- 2 Corporate Tax Proposals
- 3 International Tax Proposals
- 4 Individual Tax Proposals
- 5 Other Items

# The Green Book





## POLLING QUESTION

**Do you think “Tax Reform 2.0” will be passed before midterm elections in 2022?**

- ☐ **Yes, in the current fiscal year (ending September 30, 2021)**
- ☐ **Yes, in the current calendar year (ending December 31, 2021)**
- ☐ **Yes, in the next fiscal year (ending September 30, 2022)**
- ☐ **Yes, before the midterm elections (ending November 8, 2022)**
- ☐ **No**

# Corporate Tax Proposals

- Proposed increase in regular income tax rate
  - Proposed effective date: For taxable years beginning after December 31, 2021, but for taxable years beginning after January 1, 2021, and before January 1, 2022, the tax rate would be equal to 21% plus 7% times the fraction of the taxable year that falls in 2022



# Corporate Tax Proposals *(cont'd)*

- Proposed imposition of minimum tax on certain corporations based on pre-tax book income
  - Proposed effective date: For taxable years beginning after December 31, 2021



# International Tax Proposals



- The Green Book contains numerous international tax proposals, including:
  - Changes to Global Intangible Low-Taxed Income (GILTI)
  - Changes to Foreign Derived Intangible Income (FDII)
  - Changes to the Base Erosion Anti-abuse Tax (BEAT)
    - Stopping Harmful Inversions and Ending Low-Taxed Developments (SHIELD)
  - Additional Interest Deduction Limitation
  - Changes to Inversions

# Changes to Global Intangible Low-Taxed Income (GILTI) and Foreign Derived Intangible Income (FDII)

- Current calculation of GILTI
  - (Aggregate of shareholder's pro rata share of tested income of its CFCs — Aggregate of shareholder's pro rata share of tested losses of its CFCs) — The shareholder's net deemed tangible income return
- Major changes to the calculation of GILTI and related foreign tax credit limitations, as well as other changes
  - Proposed effective date: For taxable years beginning after December 31, 2021
- Changes to FDII
  - Proposed effective date: For taxable years beginning after December 31, 2021

# Changes to the Base Erosion Anti-abuse Tax (BEAT)



- BEAT would be repealed and replaced with the Stopping Harmful Inversions and Ending Low-Taxed Developments (SHIELD)
- SHIELD
  - Who does it apply to?
  - What happens if it applies?
    - What is the amount that is disallowed?
  - Proposed effective date: For taxable years beginning after December 31, 2021

# Additional Interest Deduction Limitation



- For foreign-parented multinational groups, there is a new additional proposed limitation on the deductibility of interest
  - What are the requirements for it to apply?
  - Who is a U.S. subgroup?
  - Proposed effective date: For taxable years beginning after December 31, 2021

# Inversions

- Current requirements
- Proposed changes to the inversion rules
  - Changes to what constitutes “substantially all”
  - Changes to continuity requirement
  - Proposed effective date: For transactions that are completed after the date of enactment



A woman with long brown hair, wearing large silver headphones, is smiling and looking down at a yellow notepad she is holding. She is wearing a white shirt. The background is a blurred office setting with warm lighting.

## POLLING QUESTION

**If all of the international tax provisions within the Green Book are enacted, which proposal will be the hardest to comply with?**

- ☐ **GILTI**
- ☐ **SHIELD**
- ☐ **New interest deduction limitation**
- ☐ **Inversions**
- ☐ **None of the above provisions would apply to me**

# Individual Tax Proposals



- Proposed increase in regular income tax rate
  - Proposed effective date: For taxable years beginning after December 31, 2021
- Proposed increased in tax rate for certain long-term capital gains
  - Proposed effective date: “The date of announcement”

# Estate and Gift Proposal

- Deemed realization event
  - Certain limited exceptions
  - Proposed effective date: For gains on property transferred by gift, and on property owned at death by decedents dying, after December 31, 2021, and on certain property owned by trusts, partnerships, and other non-corporate entities on January 1, 2022

# Other Items

- Other Green Book Proposals
  - Changes to the Net Investment Income (NII) and Self-Employment Contributions Act (SECA) taxes
  - Changes to carried interest
  - Proposed secondary liability of certain shareholders
  - Limitations on like-kind exchanges
  - Increased reporting requirements and IRS enforcement resources
- Remember upcoming TCJA expiring provisions

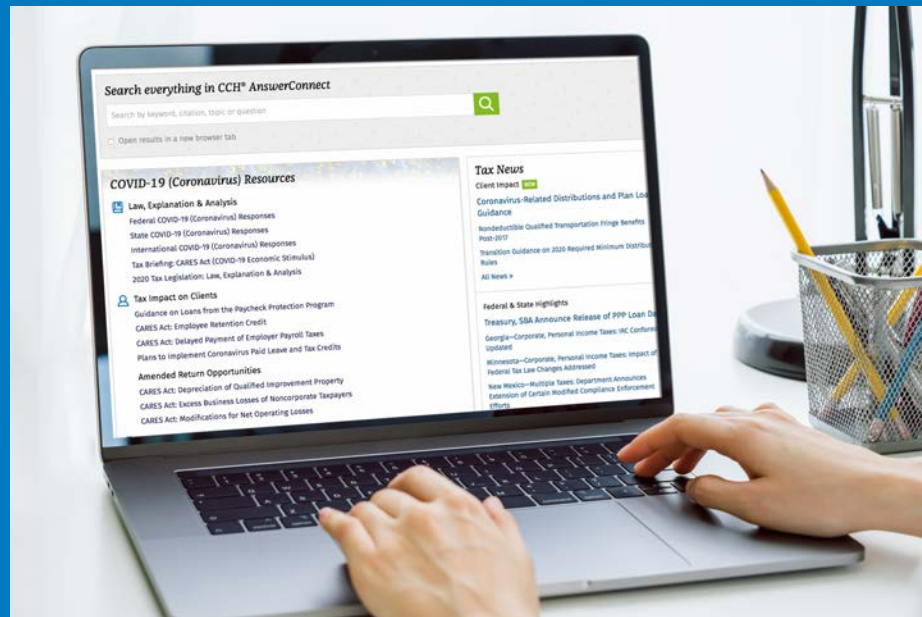


## POLLING QUESTION

**Which provision is most surprising that it was not included in the Green Book?**

- ☐ Repeal of the TCJA SALT cap
- ☐ Repeal of the TCJA mandatory R&D capitalization and amortization
- ☐ Repeal of the TCJA section 163(j) switch from EBITDA to EBIT
- ☐ None of the above

# CCH® AnswerConnect®



## POLLING QUESTION

**Would you like a more in-depth demo of CCH® AnswerConnect and the resources available to help with analysis of the Green Book?**

☐ Yes

☐ No

# Q&A



# CCH<sup>®</sup> AnswerConnect

[Register here](#) to try it for free or visit [CCHAnswerConnect.com](http://CCHAnswerConnect.com) to learn more

# Thank you for attending

Virtual Coffee Talk — Analysis of the Environmentally Friendly Green Book

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# Kevin M. Jacobs

**Kevin M. Jacobs is a Managing Director with Alvarez & Marsal Taxand** in Washington D.C. and the National Tax Office Practice Leader. He brings more than 15 years of experience in tax matters in both the public and the private sectors.

Prior to joining A&M, Mr. Jacobs was a Senior Technician Reviewer (TCJA) with the IRS Office of Associate Chief Counsel (Corporate) for more than six years, where he advised on tax issues such as corporate re-organizations and corporation-shareholder issues, earning and profits, recovery and allocation of stock basis, liquidations, redemptions, bankruptcies, spin-offs and consolidated returns.

Mr. Jacobs was the principal Associate Chief Counsel (Corporate) attorney on several regulatory projects including the proposed section 382(h) regulations on built-in gains and losses, the global intangible low-taxed income regulations, and debt-equity regulations. He provided substantial contributions to numerous other guidance projects, such as the limitation on interest deductions regulations, and assisted in overseeing the Corporate Division's response to TCJA, including the coordination with Treasury's Offices of Tax Legislative Counsel and International Tax Counsel. Previously, Mr. Jacobs spent more than nine years at law and certified public accounting firms (Ropes & Gray LLP, Latham & Watkins LLP, Dewey Ballantine LLP and Arthur Andersen LLP).

Mr. Jacobs earned a bachelor's degree in accounting, a master's degree in accounting (with a concentration in taxation), a J.D. (magna cum laude) from the University of Florida and an LL.M. in taxation from New York University. He is admitted to practice before multiple courts, including the Supreme Court of the United States, the U.S. Tax Court and the U.S. Court of Federal Claims. He is admitted to the District of Columbia and Florida Bars and is a licensed Certified Public Accountant (CPA) in Florida and Colorado. Mr. Jacobs is a member of several organizations including the American Bar Association and the New York State Bar Association. He is also a frequent speaker on numerous corporate transaction tax matters.

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