

# VIRTUAL COFFEE TALK

## The Countdown to Tax Reform is On

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**Kevin Deyoung**, Wolters Kluwer

August 26, 2021 | 1:00 to 2:00 p.m. ET



Wolters Kluwer



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# Agenda

**1 Key Dates to Keep in Mind**

**2 Bipartisan \$1T Infrastructure Bill**

**3 Potential Partisan \$3.5T Infrastructure Bill**

# Key Dates to Keep in Mind



# Key Dates

August 1, 2021	<ul style="list-style-type: none"><li>• Debt ceiling “breached”</li></ul>
September 6, 2021	<ul style="list-style-type: none"><li>• Increased unemployment compensation benefits end</li><li>• Pandemic Unemployment Assistance Program ends</li></ul>
September 30, 2021	<ul style="list-style-type: none"><li>• Government appropriations expire</li><li>• COVID-related paid sick leave expires</li></ul>
October 3, 2021	<ul style="list-style-type: none"><li>• Eviction moratorium end</li></ul>
December 31, 2021	<ul style="list-style-type: none"><li>• Enhanced child tax credit ends</li><li>• Enhanced child and dependent care tax credit ends</li><li>• Enhanced charitable deduction ends</li><li>• Tax extenders expire</li><li>• Statutory PAYGO</li></ul>
January 1, 2022	<ul style="list-style-type: none"><li>• Springing TCJA provisions</li></ul>

# What's the current status of tax reform?

- Green Book
  - Discussed in June - <https://www.alvarezandmarsal.com/content/watch-now-virtual-coffee-talk-analysis-environmentally-friendly-green-book>
- “Infrastructure” bills
- Current Congressional calendar





## POLLING QUESTION

**Will the Democrats pass the partisan infrastructure bill (which will include tax reform) this year?**

- ☐ **No, they will not pass the package**
- ☐ **Yes, the size will be \$1T or less**
- ☐ **Yes, the size will be more than \$1T & less than/equal to \$2T**
- ☐ **Yes, the size will be more than \$2T & less than/equal to \$3T**
- ☐ **Yes, the size will be more than \$3T**



# Bipartisan \$1T infrastructure bill

- Current status
- What wasn't included
- What was included
- Likelihood of becoming law





# Cryptocurrency changes

- Expand the definition of a broker
- Expand the definition of a specified security
- Expand reporting requirements



# Potential partisan \$3.5T infrastructure bill

- Current status
- Senate Finance Committee instruction
- Quick review of Congressional landscape
- Likelihood of becoming law



# Members of Senate Finance Committee

## DEMOCRATS

- Ron Wyden (Chairman)
- Debbie Stabenow
- Maria Cantwell
- Robert Menendez
- Thomas R. Carper
- Benjamin L. Cardin
- Sherrod Brown
- Michael F. Bennet
- Bob Casey
- Mark R. Warner
- Sheldon Whitehouse
- Maggie Hassan
- Catherine Cortez Masto
- Elizabeth Warren

## REPUBLICANS

- Mike Crapo (Ranking Member)
- Chuck Grassley
- John Cornyn
- John Thune
- Richard Burr
- Rob Portman
- Patrick J. Toomey
- Tim Scott
- Bill Cassidy
- James Lankford
- Steve Daines
- Todd Young
- Ben Sasse
- John Barrasso

# Expiring TCJA provisions within the next two years

Provision	Effective
80% limitation on post-TCJA NOLs	Tax years beginning after 12/31/2020
5-year R&D amortization	Tax years beginning after 12/31/2021
Addback of depreciation and amortization for 163(j) interest expense limitation	Tax years beginning on or after 1/1/2022
Phaseout of 100% bonus depreciation	Property placed in service after 12/31/2022



## POLLING QUESTION

**Has your company started to plan or has engaged in transactions as a result of the potential upcoming tax reform?**

- ☐ Yes, we have already engaged in transactions
- ☐ Yes, we have started to plan
- ☐ No, we are not sure what we should be thinking about
- ☐ No, we are waiting and seeing
- ☐ N/A, I am a CPA/attorney and work at an accounting/law firm

# Green Book Top 10 Revenue Provisions



## TOP 5 REVENUE RAISERS — 2.567T

- Corporate tax rate increase to 28% — \$857.817B
- Changes to GILTI, subpart F high tax exemption, section 265, and inversions — \$533.503B
- Comprehensive financial account reporting — \$462.646B
- BEAT/SHIELD changes — \$390.051B
- Individual capital gains rate changes — \$322.485B



## NEXT 5 REVENUE RAISERS — 906.603B

- Revenue from increased enforcement — \$265.896B
- Net investment income/SECA taxes changes — \$236.500B
- 15% minimum tax on book earnings — \$148.344B
- Individual tax rate increase — \$131.920B
- Repeal FDII — \$123.943B



# Green Book Top 5 Expenditure Provisions

- 1** Extend Child Tax Credit (CTC) increase through 2025 and make refundability permanent — \$449.061B
- 2** Green energy credits — \$363.270B
- 3** Make premium tax credit (ACA related) permanent — \$163.048B
- 4** Additional support for research and experimentation expenditure — \$123.943B
- 5** Make earned income tax credit (EITC) permanent and expanded — \$105.219B

# What will probably be included ... tax rate increases

- 5 of the top 10 revenue Green Book revenue provisions are tax rate changes
  - Corporate tax rates
    - Corporate tax rate increase to 28%
    - 15% minimum tax on book earnings for corporations with worldwide pre-tax book income in excess of \$2 billion
  - Individual tax rates
    - Individual top marginal income tax rate increase to 39.6%
    - Individual long-term capital gains and qualified dividends would be taxed at ordinary income rates
    - Net investment income/SECA taxes changes



# International Tax Provisions

- GILTI/subpart F changes
- BEAT/SHIELD changes



# Section 174 — Research and Experimentation Expenses

- Section 174 TCJA changes
  - Last month's virtual coffee talk — <https://www.alvarezandmarsal.com/content/watch-virtual-coffee-talk-section-174-rd-deduction>
  - Estimated revenue generated by proposal — \$119.7B
- Green Book proposal
  - “Additional support for research and experimentation expenditure”
  - Cost — \$123.943B



# Section 199A

- Brief overview of the provision
- Biden proposal on the campaign trail
- Biden proposal in Green Book
- Senator Wyden's Small Business Tax Fairness Act

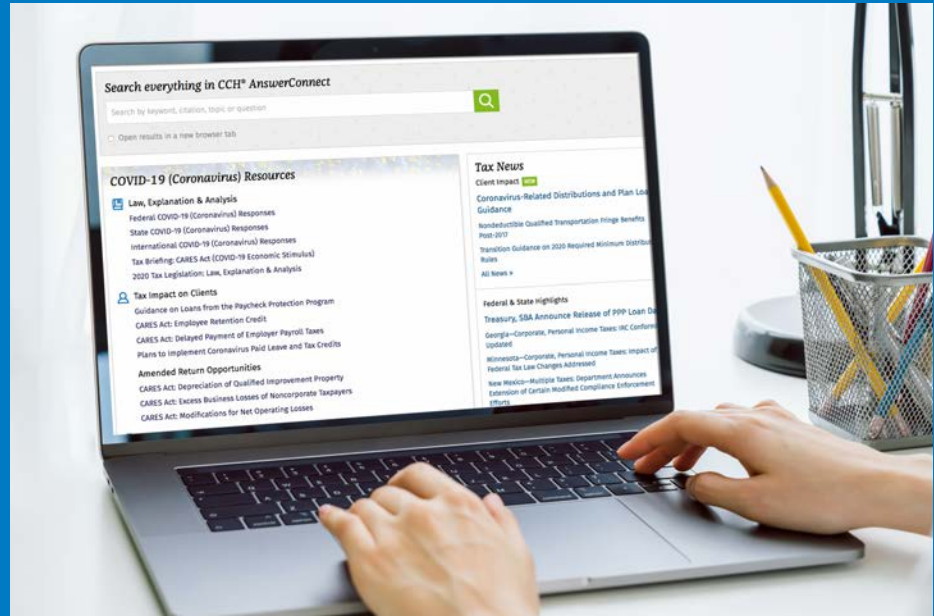


# Other Recent Proposals by Senator Wyden

- American Opportunity Tax Credit Enhancement Act of 2021
- Encouraging Americans to Save Act
- Ending the Carried Interest Loophole Act
- Mind Your Own Business Act of 2021
- Modernization of Derivatives Tax Act of 2021



# CCH® AnswerConnect®



## POLLING QUESTION

**Would you like a more in-depth demo or further details on the resources and tools available in CCH® AnswerConnect?**

☐ Yes

☐ No

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# Thank you for attending

Virtual Coffee Talk — The Countdown to Tax Reform is On

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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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