



Outside the box. Within the lines.SM

CERTIFIED PUBLIC ACCOUNTANTS

Holsinger PC Presents:

Summary of President Biden's Proposals in the Green Book for Fiscal Year 2022

CONFIDENTIAL ©2021 HOLSINGER P.C. ALL RIGHTS RESERVED.



Agenda

The new proposals correspond with the ideas found in:

1.

The American Jobs Plan:

- a. Reform corporate taxation
- b. Support housing and infrastructure
- c. Prioritize clean energy

2.

The American Families Plan:

- a. Strengthen taxation of high-income taxpayers
- b. Expand tax credits for low- and middle-income workers and families
- c. Invest in improved taxpayer compliance and service



The American Jobs Plan

The American Jobs Plan

- ❑ Increases the corporate income tax rate from 21% to 28%
 - ❑ Effective for taxable years beginning after 12/31/2021
 - ❑ For 2021, the tax rate would be equal to 21% plus 7% times the portion of the taxable year that occurs in 2022

The American Jobs Plan

- ❑ Reforms to global minimum tax regime
 - ❑ Eliminates the 10% deduction for qualified business asset investment (QBAI)
 - ❑ Increases the global intangible low-taxed income (GILTI) tax rate by reducing the Section 250 deduction from 50% to 25% (to achieve a 28% corporate income tax rate)
 - ❑ Applies the GILTI on a per-country basis
 - ❑ Effective for taxable years beginning after 12/31/2021

The American Jobs Plan

- ❑ Disallows deductions attributable to foreign gross income that is exempt income from US tax or taxed at preferential rates
 - ❑ Effective for taxable years beginning after 12/31/2021
- ❑ Repeals the deduction allowed for foreign-derived intangible income (FDII)
 - ❑ The resulting revenue will be used to encourage R&D
 - ❑ Effective for taxable years beginning after 12/31/2021

The American Jobs Plan

- ❑ Limits the ability of domestic corporations to expatriate
 - ❑ Replaces the 80% test with a greater than 50% test and eliminates the 60% test
 - ❑ Elaborates on matters like inversion transactions and the distribution of stock of a foreign corporation by a domestic corporation or a partnership
 - ❑ Effective after the date of enactment

The American Jobs Plan

- ❑ Replaces the Base Erosion and Anti-Abuse Tax (BEAT) with the Stopping Harmful Inversions and Ending Low-tax Developments (SHIELD) rule
 - ❑ Denies deductions to domestic corporations with respect to payments related parties in low tax countries (effective tax rate < designated minimum tax rate)
- ❑ Effective for taxable years beginning after 12/31/2022

The American Jobs Plan

- ❑ Limits foreign tax credits from sales of hybrid entities
 - ❑ Effective after the date of enactment
- ❑ Restricts deductions of excessive interest of members of financial reporting groups for disproportionate borrowing in the United States
 - ❑ Effective for taxable years beginning after 12/31/2021

The American Jobs Plan

- ❑ Establishes a new 15% minimum tax on companies with worldwide book income exceeding \$2 billion
 - ❑ Effective for taxable years beginning after 12/31/2021

The American Jobs Plan

- ❑ Eliminates tax preferences for fossil fuels
 - ❑ Repeals:
 - ❑ The enhanced oil recovery credit for eligible costs attributable to a qualified enhanced oil recovery project
 - ❑ The credit for oil and gas produced from marginal wells
 - ❑ The expensing of intangible drilling costs
 - ❑ The deduction for costs paid or incurred for any tertiary injectant used as part of a tertiary recovery method

The American Jobs Plan

- ❑ Eliminates tax preferences for fossil fuels
 - ❑ Repeals:
 - ❑ The exception to passive loss limitations provided to working interests in oil and natural gas properties
 - ❑ The use of percentage depletion with respect to oil and gas wells
 - ❑ Two-year amortization of independent producers' geological and geophysical expenditures, instead allowing amortization over the seven-year period used by integrated oil and gas producers

The American Jobs Plan

- ❑ Eliminates tax preferences for fossil fuels
 - ❑ Repeals:
 - ❑ Expensing of exploration and development costs
 - ❑ Percentage depletion for hard mineral fossil fuels
 - ❑ Capital gains treatment for royalties
 - ❑ The exemption from the corporate income tax for publicly traded partnerships with qualifying income and gains from activities relating to fossil fuels

The American Jobs Plan

- ❑ Eliminates tax preferences for fossil fuels
 - ❑ Repeals:
 - ❑ The Oil Spill Liability Trust Fund excise tax exemption for crude oil derived from bitumen and kerogen-rich rock
 - ❑ Accelerated amortization for air pollution control facilities
- ❑ Effective for taxable years beginning after 12/31/2021

The American Jobs Plan

- ❑ Reinstatement of the three Superfund excise taxes (expired in 1995) at double the previous rates
 - ❑ Excise Tax on Crude Oil – 9.7 cents per barrel of crude oil
 - ❑ Excise Tax on Select Chemicals – ranged from 22 cents to \$4.87 per ton
 - ❑ Environment Tax on C Corporations – 0.12% of the “modified alternative minimum taxable income” of the corporation in excess of \$2 million
- ❑ Effective after 12/31/2021



The American Families Plan

The American Families Plan

- ❑ Increases the top individual ordinary income tax rate from 37% to 39.6%
 - ❑ Effective after taxable years beginning after 12/31/2021
- ❑ Taxes long-term capital gains and qualified dividends incomes at ordinary income tax rates to the extent that the income exceeds \$1 million
 - ❑ Effective after the date of announcement

The American Families Plan

- ❑ Limits the “step-up in basis” rule
 - ❑ Treats transfers of certain appreciated property by gift or on death as realization events
- ❑ General \$1 million exclusion
- ❑ Special rules may be applicable for certain transfers
- ❑ Effective after 12/31/2021

The American Families Plan

- ❑ Broadens the application of the 3.8% net investment tax
 - ❑ Effective after 12/31/2021
- ❑ Ends the "carried interest" capital gains treatment of certain partnership investment income
 - ❑ Effective after 12/31/2021

The American Families Plan

- ❑ Eliminates like-kind exchange tax treatment for real estate gains greater than \$500,000 (\$1 million for joint returns)
 - ❑ Effective after 12/31/2021
- ❑ Permanently expands the current limitation on certain excess business losses
 - ❑ Effective after 12/31/2026



Drastically increases IRS funding (by \$1.3 billion to \$13.2 billion)

Intends to collect \$778 billion over the next 10 years from increased tax compliance measures

IMPROVE COMPLIANCE

Introduce comprehensive financial account reporting rules

- Focus on opaque income streams
- Requires the submission of annual information returns for business and personal financial accounts as well as other accounts

IMPROVE TAX ADMINISTRATION

Increases the oversight of paid tax return preparers

Enhances the accuracy of tax information

Addresses the taxpayer noncompliance with listed transactions

Modify the tax administration rules

Authorize the limited sharing of business tax return information

Thank you for your attention!



Any Questions?

KINOPOISK.RU