

# THE POWER OF BEING UNDERSTOOD

# MIDSUMMER UPDATE: CHARTING THE COURSE OF BIDEN'S TAX POLICY



July 12, 2021

# Your presenters



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# Agenda

## Topic

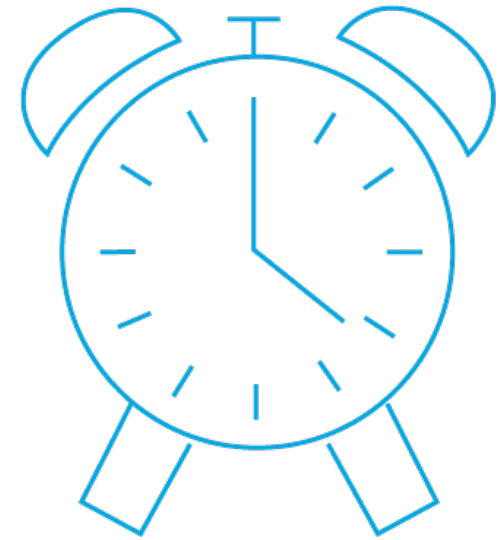
Introductions

Domestic tax policy update

IRS enforcement

Perspectives

The road ahead





# CAPITOL HILL UPDATE

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# Congress “two track” approach

## Infrastructure

- Bipartisan agreement
- Traditional infrastructure only
- No tax increases included
- Broader support needed to pass



## Reconciliation

- Moving in tandem among Democrats
- Unified party necessary
- Potential for tax increases
- Time is the enemy





# DOMESTIC TAX POLICY UPDATE

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# US tax policy developments



**US Treasury Tax  
Green Book**



**Biden Administration  
FY22 budget**



**117<sup>th</sup> US Congress  
activity**



# Treasury Green Book: Corporate taxation (Made in America Tax Plan)

## Corporate

- Increase the corporate income tax rate to 28%
- Impose a 15% minimum tax on worldwide book income for corporations with such income in excess of \$2B
- Restrict interest deductions for certain disproportionate U.S. borrowings

*Effective: Tax years beginning after Dec 31, 2021*

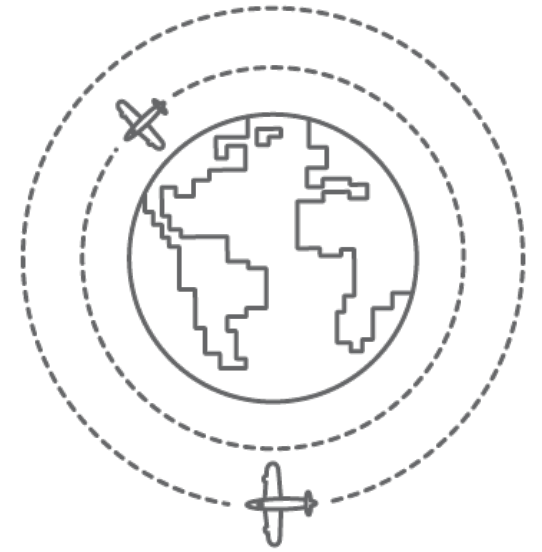


# Treasury Green Book: International taxation (Made in America Tax Plan)

## International

- Modifications to the GILTI regime
- Repeal the FDII regime
- Replace the BEAT regime with SHIELD
- Establish a global minimum tax rate
- Tighten the anti-inversion rules
- Disallow deductions for expenses paid or incurred in connection with offshoring a US trade or business

*Effective: Tax years beginning after Dec 31, 2021*

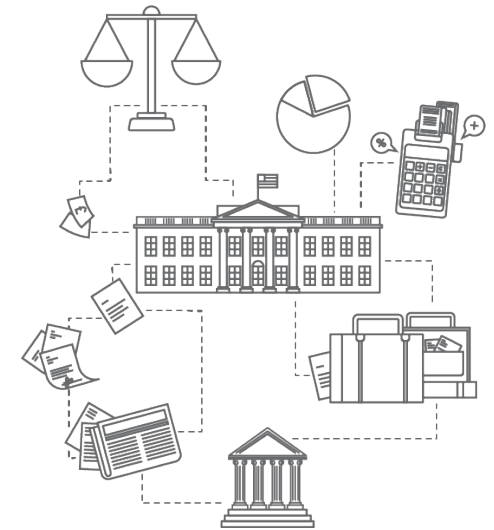


# Treasury Green Book: Individual taxation (American Families Plan)

## Individual

- Increase the top individual marginal tax rate to 39.6%
- Tax long-term capital gains/qualified dividends at ordinary income rates
- Treat the transfer of appreciated property by gift or on death as a realization event resulting in capital gain
- Tax carried interest at ordinary rates
- Repeal deferral for certain like-kind exchanges of real estate
- Make permanent the excess business loss limitation

*Effective: Varying effective dates*

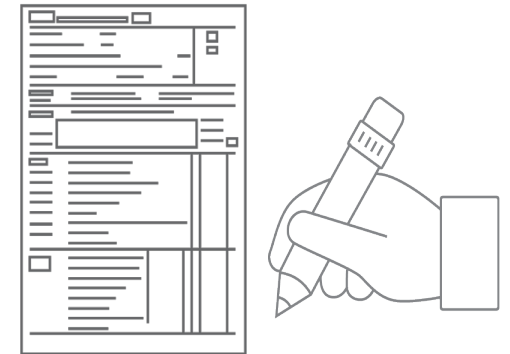


# Treasury Green Book: Notable omissions

## Notable omissions

- Elimination of the 20% pass-through deduction on qualified business income (Sec. 199A)
- Impose 12.4% Social Security payroll tax for wages above \$400k
- Revising the estate and gift tax rates and exemption amounts
- Impose a 28% cap on itemized deductions
- Address the scheduled expiration or phase-out of certain provisions including R&D and bonus depreciation
- Repeal or adjust the \$10,000 cap on the deduction for state and local taxes

*Effective: Varying effective dates*



# A look back at 1993....

A look at what had been accomplished at this time by the President and the Congress:

- Feb 17, 1993: President Bill Clinton presents his tax plan to a joint session of Congress
- Feb 28, 1993: Treasury releases its Green Book explanation of Clinton Administration's tax proposals
- March 31, 1993: Budget Conference Report passes House
- April 1, 1993: Budget Conference Report passes Senate
- April 8, 1993: President Clinton issues his official FY94 budget request
- May 27, 1993: Budget bill passes House
- June 25, 1993: Budget bill passes Senate
- August 8, 1993: President Clinton signed the Omnibus Budget Reconciliation Act of 1993

## Polling question

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1. Which provision of the Green Book are you most concerned about?
  - A. Corporate tax increase
  - B. Capital gains tax increase
  - C. Like kind exchanges
  - D. Transfer of appreciated property at death
  - E. Other

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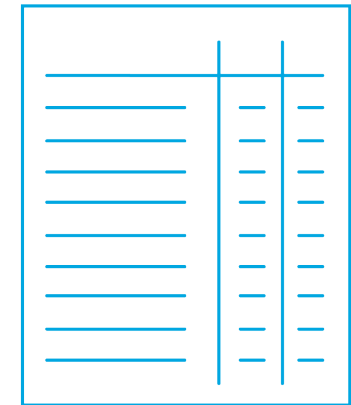
# ENHANCED IRS ENFORCEMENT

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# Investing in the IRS and improving tax compliance

## IRS enforcement

- Treasury Inspector General reports on IRS effectiveness
- Treasury news release and President Biden's speech to Congress
  - Tax gap estimated to be about \$7 trillion over the next decade under current operations approach
  - Tax evasion, lack of transparency and insufficient IRS resources
  - IRS needs 21<sup>st</sup> century technology and employees trained in complex investigations
- IRS enforcement as an alternative to legislative tax increases
- Potential IRS budget increase over the next decade
  - \$80B? \$40B?
  - Enhanced (21<sup>st</sup> century) technology
  - Significant hiring/training at all levels
- IRS Commissioner Rettig has an enforcement background

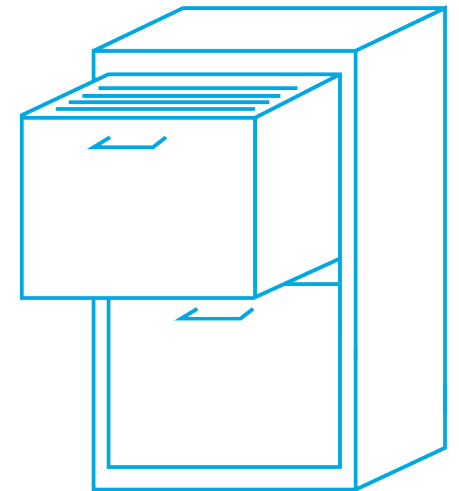




# Investing in the IRS and improving tax compliance

## Enhanced focus on enforcement and service

- Enhanced information reporting
  - Identifying opaque sources of income through information reporting
    - Financial institutions
    - Virtual currency transactions
- Overhaul outdated technology to help IRS identify tax evasion
  - Identify potential tax evasion through data analytics
  - Enable revenue agents to unpack complex transactions (like partnerships)
- Improve taxpayer service
  - Communicate with taxpayer/representatives promptly and securely
  - Enhancing accuracy and timeliness of responses
- Regulate paid tax preparers
  - Curtail erroneous returns that subject unsuspecting taxpayers to IRS audit
  - Stiffer penalties on unscrupulous “ghost” preparers



## Polling question

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2. How concerned are you about enhanced IRS enforcement?
- A. Not concerned at all
  - B. Very concerned
  - C. Somewhat concerned



# PERSPECTIVES

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## Polling question

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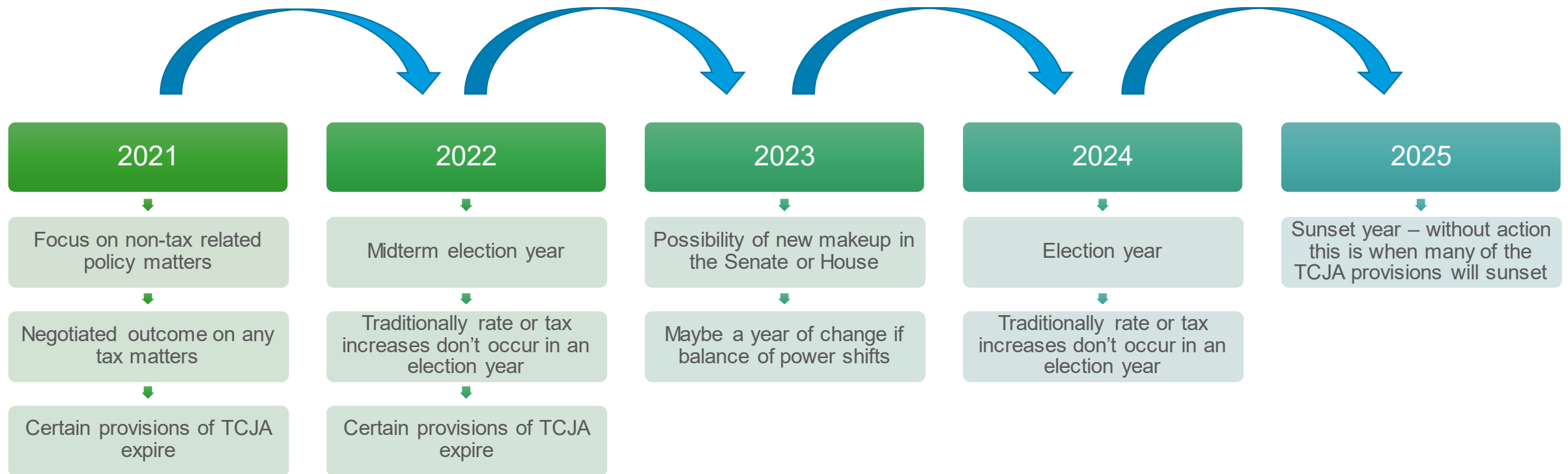
- Do you expect the pending tax policy changes to affect decisions your business makes in the coming year regarding growth and operations?
  - Yes
  - No
  - Not sure



# FUTURE TAX POLICY TIMING CONSIDERATIONS

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# Future tax policy timing considerations



## Polling question

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RSM sends out a variety of tax publications to keep you informed. Please check those you would like to receive:

- A. Tax Policy Now (quick video updates on policy developments)
- B. Tax Alerts (written alerts delivered when published)
- C. Tax Insights (monthly newsletter including articles, events and summaries)
- D. All of the above
- E. None

# Resources



## [Tax policy resource center](https://rsmus.com/taxpolicy)

[rsmus.com/taxpolicy](https://rsmus.com/taxpolicy)



[Contact us for assistance](tel:800.274.3978)  
800.274.3978



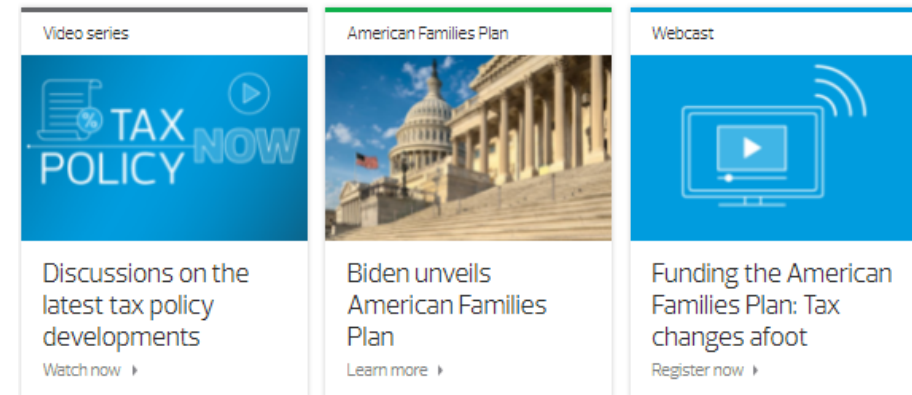
### Tax policy and regulation: The voice of middle market businesses

Regardless of which political party happens to be in power, tax policy is always on the table in Washington. What's often missing, though, is the voice of middle market businesses that bear such a large brunt of the challenges caused by constantly changing tax rules and regulations.

RSM is working to fill this void by engaging directly with policymakers to share the perspectives of middle market businesses and provide deeper insight on how tax policy changes will affect this crucial segment of our economy.

Our tax professionals meet regularly with those responsible for crafting tax policy, including members of Congress from the influential House Ways and Means and Senate Finance committees, among others. We work closely with many of the top national business organizations as well, sharing our perspective about what's happening in the real economy to help ensure middle market concerns aren't lost in the D.C. shuffle.

For additional information contact [Dan Ginsburg](#), national policy leader.





THANK YOU FOR  
YOUR TIME AND  
ATTENTION



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