



GMS Flash Alert

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United States – KPMG Publishes Report on House Ways and Means Tax Proposals

On Thursday, September 16, 2021, KPMG's Washington National Tax Practice (WNT) released "['Build Back Better Act' Tax Proposals, as Approved by Ways and Means: KPMG Summary and Analysis](#),"¹ a comprehensive report on the legislative tax proposals released, marked up, and approved by the U.S. House of Representatives' Ways and Means Committee as part of its considerations of recommendations.² These proposals are part of a larger legislative effort by Ways and Means Committee to contribute to the *Build Back Better Act* moving through the House. The KPMG Report provides an overview of the proposals and insights from WNT professionals on the potential impact of these proposals on companies and individuals.

WHY THIS MATTERS

While still just proposals, Democratic leadership has set an ambitious timeline to vote on the *Build Back Better Act* by the end of the month. Global mobility program managers may find "['Build Back Better Act' Tax Proposals, as Approved by Ways and Means: KPMG Summary and Analysis](#)" to be a valuable resource in evaluating the impact of potential tax law changes on their programs.

Tax Proposals of Interest to Global Mobility Programs and Assignees

KPMG's report includes analyses of the following tax proposals that may impact international assignees and/or mobility programs (for related coverage, see [GMS Flash Alert 2021-233](#), September 13, 2021):

Individual Income Tax Increases

- Increasing the top marginal individual income tax rate to 39.6 percent, effective for taxable years after December 31, 2021 (see table on following page).

	JCT Projection for 2022: 37% applicable to income in excess of:	Mark-up proposal (2022): 39.6% applicable to income in excess of:
Married filing jointly	\$646,150	\$450,000
Head of household	\$538,450	\$425,000
Single	\$538,475	\$400,000
Married filing separately	\$323,075	\$225,000

- Imposing a new 3-percent tax on modified adjusted gross income (MAGI) above \$5 million, effective for taxable years after December 31, 2021.
- Increasing the top capital gains rate to 25 percent effective on the date of introduction, applied to gains realized after September 13, 2021.
- Expanding Net Investment Income Tax to trade or business income of high-income individuals, effective for taxable years after December 31, 2021.
- Imposing an income limitation on the section 199A deduction for qualified business income, effective for taxable years after December 31, 2021.
- Making permanent the section 461(l) disallowance of excess business losses, effective for taxable years after December 31, 2020.

Foreign Tax Credits

- Modifying the foreign tax credit limitation, effective for tax years after December 31, 2021.
- Repealing the carryback period and reducing the carryforward period from ten years to five years, effective for tax years after December 31, 2021.
- Changing the timing for claiming a deduction or credit from foreign income taxes, effective 60 days after the date of enactment.

Retirement Plans

- Imposing limits on individual retirement plans of high-income taxpayers with large account balances, effective for taxable years after December 31, 2021.
- Increasing minimum required distributions for high-income taxpayers with large retirement account balances, effective for taxable years and plan years after December 31, 2021.
- Modifying the tax treatment of rollovers to Roth IRAs and accounts, effective for taxable years after December 31, 2021.

Individual Income Tax Incentives and Credits Proposals

— Child tax credit:

- Modifications to child tax credit applicable beginning 2021, effective for tax years beginning, and payments made, after December 31, 2020.
- Extension and modification of child tax credit and advance payment for 2022, effective for taxable years beginning, and payments made, after December 31, 2021.
- Establishment of monthly child tax credit with advance payment through 2025, effective for taxable years 2023 through 2025.
- Refundable child tax credit after 2025, effective for taxable years after 2025.

— Child and dependent care tax credit:

- Certain improvements to the child and dependent care credit made permanent, effective for taxable years beginning after December 31, 2021.
- Increase in exclusion for employer-provided dependent-care assistance made permanent, effective for taxable years beginning after December 31, 2021.

— Creating new credit for care-giver expenses, effective for taxable years after December 31, 2021, and before January 1, 2026.

— Modifying the earned income tax credit, effective for taxable years beginning after December 31, 2021.

— Making permanent the American Rescue Plan expansion of premium tax credits, effective for taxable years beginning after December 31, 2021.

— Green energy and efficiency incentives for individuals:

- Extension, increase, and modifications of nonbusiness energy property credit, effective for property placed in service after December 31, 2021.
- Residential energy-efficient property, effective for expenditures made after December 31, 2021.
- Energy-efficient commercial buildings deduction, effective for taxable years beginning after December 31, 2021.
- Extension, increase, and modifications of new energy-efficient home credit, effective for dwelling units acquired in 2022 or later.
- Modifications to income exclusion for conservation subsidies, effective retroactively for amounts received after December 31, 2018.
- Refundable new qualified plug-in electric-drive vehicle credit for individuals, effective for vehicles purchased or leased after December 31, 2022.
- Credit for certain new electric bicycles, effective for qualified electric bicycles placed into service before January 1, 2032.

Estate and Gift Proposals

- Terminating the temporary increase in unified credit, effective for estates of decedents dying and gifts made after December 31, 2021.

KPMG NOTE

KPMG LLP (U.S.) is actively monitoring the progress of the *Build Back Better Act* through the legislative process and will endeavor to advise of any significant developments.

FOOTNOTES:

- 1 See: "['Build Back Better Act' Tax Proposals, as Approved by Ways and Means: KPMG Summary and Analysis](#)."
- 2 Read the [legislative text](#) [PDF 1.86 MB] (881 pages).

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The above information is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230 as the content of this document is issued for general informational purposes only.

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