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GMS Flash Alert

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United States – President Biden Signs Budget Reconciliation Bill

On August 16, 2022, United States President Joseph Biden signed into law H.R. 5376 (commonly called the "Inflation Reduction Act of 2022.")[1]

WHY THIS MATTERS

The new law does not include many of the individual income tax provisions that were included in past legislative proposals, that would have had an impact on the cost of global mobility assignments. Notably, the provision modifying the carried interest rules, which could have affected assignment costs of tax-equalized partners in the financial services sector, was omitted from the final version of the legislation.

The new law provides $78.9 billion in additional funding to the Internal Revenue Service (IRS), including $45.6 billion designated for tax enforcement activities. As noted in *GMS Flash Alert* 2022-144, July 29, 2022, this highlights the importance of tax compliance for global mobility programs seeking to avoid potential monetary penalties.

For an in-depth analysis of the new law, see KPMG's Report, *Analysis and observations: Tax law changes in the "Inflation Reduction Act of 2022",* August 16, 2022.

Individual Income Tax Proposals Included in the New Law

The new law includes a number of tax incentives and benefits, including a wide array of energy and climate-related provisions:

- Extension, increase, and modification of the Nonbusiness Energy Property Credit
- Extension and modification of the Residential Clean Energy Credit

- Extension, increase, and modification of the New Energy Efficient Home Credit
- Modification of the New Qualified Plug-In Electric Drive Motor Vehicles Credit
- New credit for previously owned clean vehicles
- New credit for qualified commercial clean vehicles
- Extension and modification of the Alternative Fuel Refueling Property Credit

Following President Biden's signing of the new legislation, the U.S. Treasury Department and the IRS released guidance on changes to electric vehicles tax credit under the new law.[2]

Individual Income Tax Proposals Not Included in the New Law

Provisions not in the new law include the following:

- Increases in individual and capital gains rates
- Changes to the estate and gift tax rules
- Changes to the limitation on the state and local tax (SALT) deduction
- Modifications to the treatment of partnership interests held in connection with the performance of services (i.e., "carried interest")

FOOTNOTES:

1 The legislative text and summary of the bill can be found here.

2 For additional information, see KPMG *TaxNewsFlash*: Guidance on changes to electric vehicles tax credit under Inflation Reduction Act, a publication of KPMG LLP (U.S.).

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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