



# 2024 Global Financial Reporting and Valuation Conference

**Legislative update**

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December 10 | Fontainebleau Miami Beach, Florida





# What's Next? Tax policy in a New Washington



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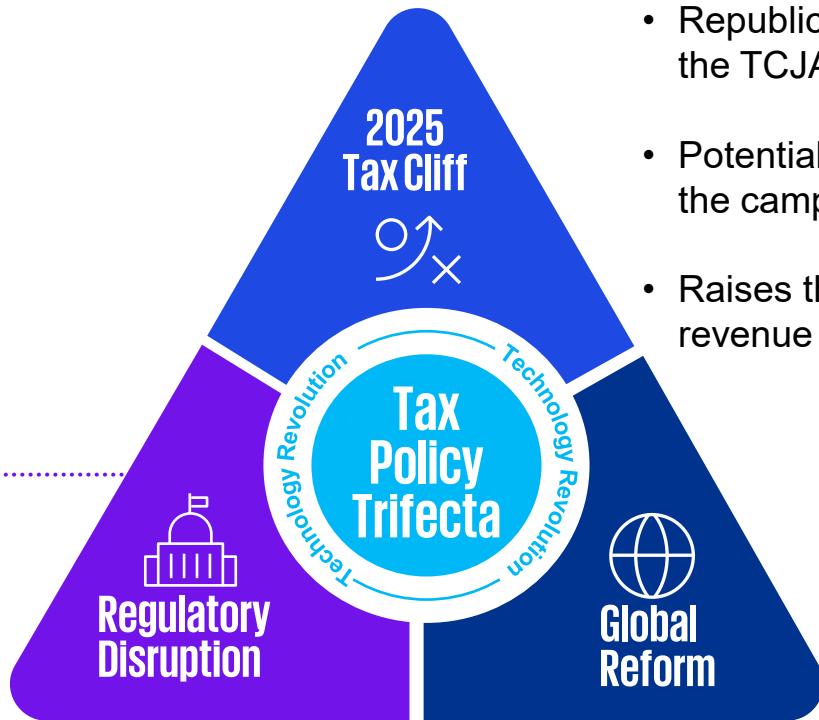
# Tax Policy Trifecta

## 2025 Tax Cliff and Potential for New Tax Cuts:

- Republican priority to extend the tax policy reflected in the TCJA, which would cost over \$4T over 10 years
- Potential for new tax cuts, including those promised on the campaign trail
- Raises the possibility that Congress will look to raise revenue from large corporates to partially offset the cost

### Regulatory Disruption:

- Constantly evolving and complex regulatory landscape
- *Loper Bright*, the Supreme Court decision limiting deference to agency regulations
- Possibility of new tariffs



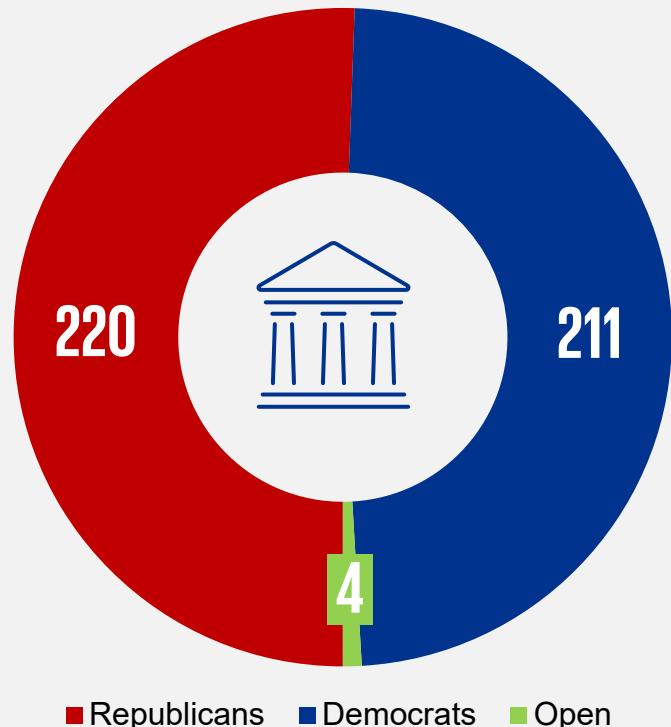
### Global Reform:

- Ongoing implementation of the global minimum tax (Pillar 2)
- Other global developments, such as failing to reach a deal on DSTs/Pillar 1 and ongoing efforts at the UN to expand source-based taxing rights

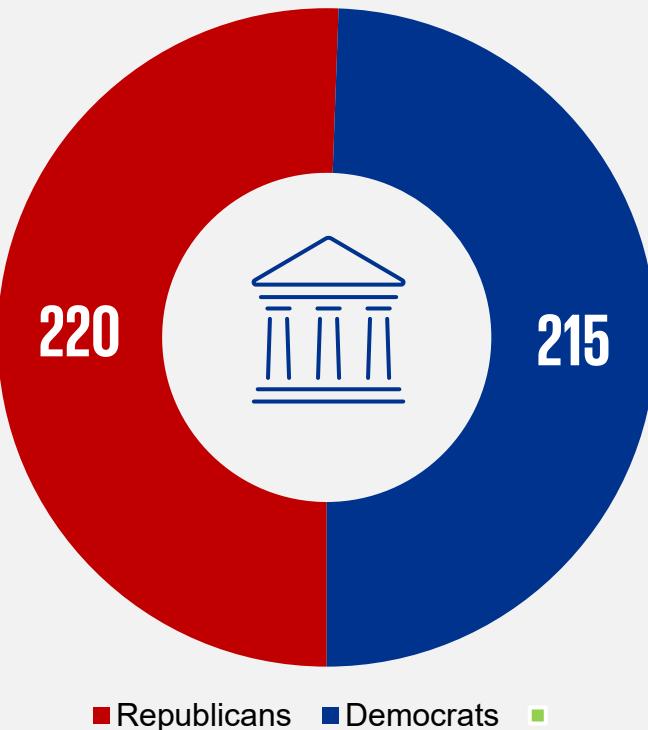
# Washington

# U.S. House of Representatives

## Current U.S. House of Representatives

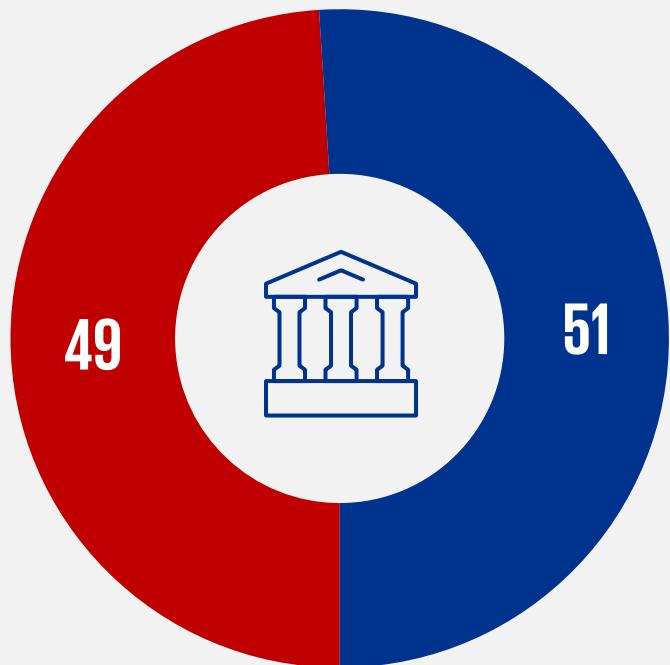


## 2025 U.S. House of Representatives



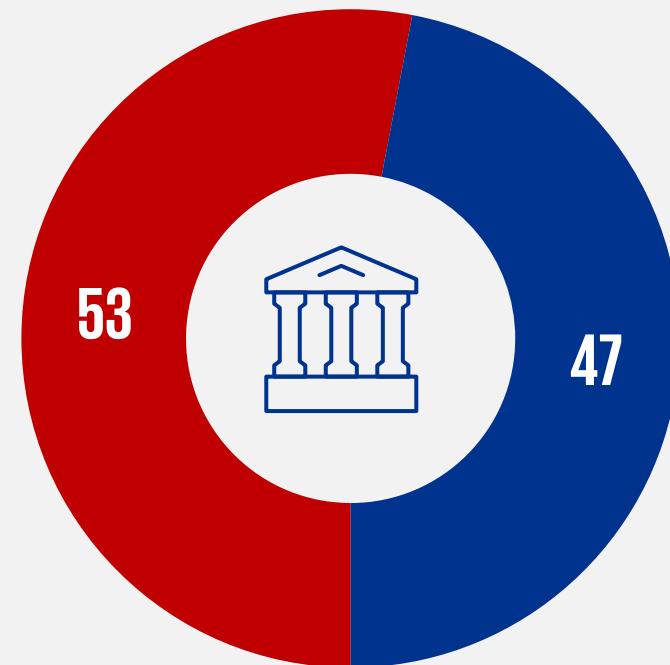
# U.S. Senate

## Current U.S. Senate



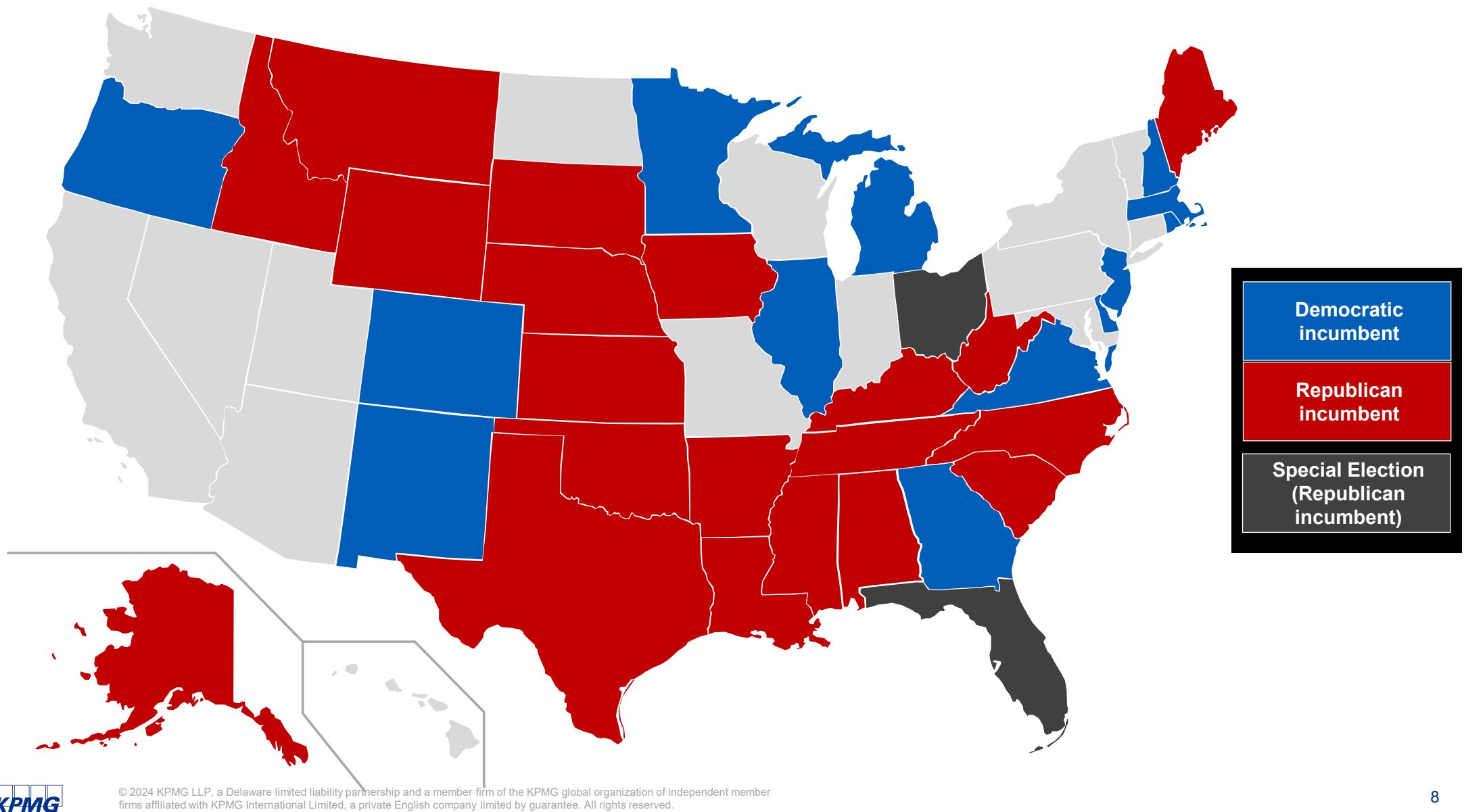
■ Republicans ■ Democrats  
3 independent Senators caucus with the Democrats

## 2025 U.S. Senate



■ Republicans ■ Democrats  
2 independent Senators expected to caucus with the Democrats

# 2026 Election: U.S. Senate



# Congressional seats gained or lost by President's party

		Senate Seats	House Seats
1982	Reagan	+1	-26
1986	Reagan	-8	-5
1990	Bush 41	-1	-8
1994	Clinton	-8	-52
1998	Clinton	0	+5
2002	Bush 43	+2	+8
2006	Bush 43	-6	-30
2010	Obama	-6	-63
2014	Obama	-9	-13
2018	Trump	+2	-40
2022	Biden	+1	-9

Source: [The American Presidency Project, UC Santa Barbara](#)

# Treasury Department – Senate Confirmed Positions

Secretary - <i>Scott Bessent (Nominee)</i>	
Deputy Secretary - <i>Michael Faulkender (Nominee)</i>	Assistant Secretary – Financial Markets
Inspector General	Assistant Secretary – Financial Stability
Inspector General – Tax Administration	Assistant Secretary – Intelligence and Analysis
Special Inspector General – Troubled Asset Relief Program	Assistant Secretary – International Finance
Commissioner of Internal Revenue - <i>Billy Long (Nominee)</i>	Assistant Secretary – International Markets and Development
Comptroller of the Currency	Assistant Secretary – Legislative Affairs
Director – Office of Financial Research	Assistant Secretary – Tax Policy
Director – Office of Thrift Supervision	Assistant Secretary – Terrorist Financing
Under Secretary – Domestic Finance	Chief Financial Officer
Under Secretary – Terrorism and Financial Intelligence	General Counsel
Under Secretary – International Affairs	Chief Counsel – Internal Revenue Service
Assistant Secretary – Economic Policy	Director of the Mint
Assistant Secretary – Financial Institutions	

Source: Congressional Research Service

# Select Administration appointments (announced)

## Treasury Secretary – Scott Bessent

- CEO & CIO Key Square Group
- Former CIO Soros Fund Management
- Former Yale professor of economic history

## Deputy Treasury Secretary – Michael Faulkender

- Asst. Secretary for Economic Policy in Trump 45 (Senate confirmed)
- University of Maryland professor

## Commissioner of the I.R.S. – Billy Long

- Former congressman (R-MO) 2011-2023

## National Economic Council Director – Kevin Hassett

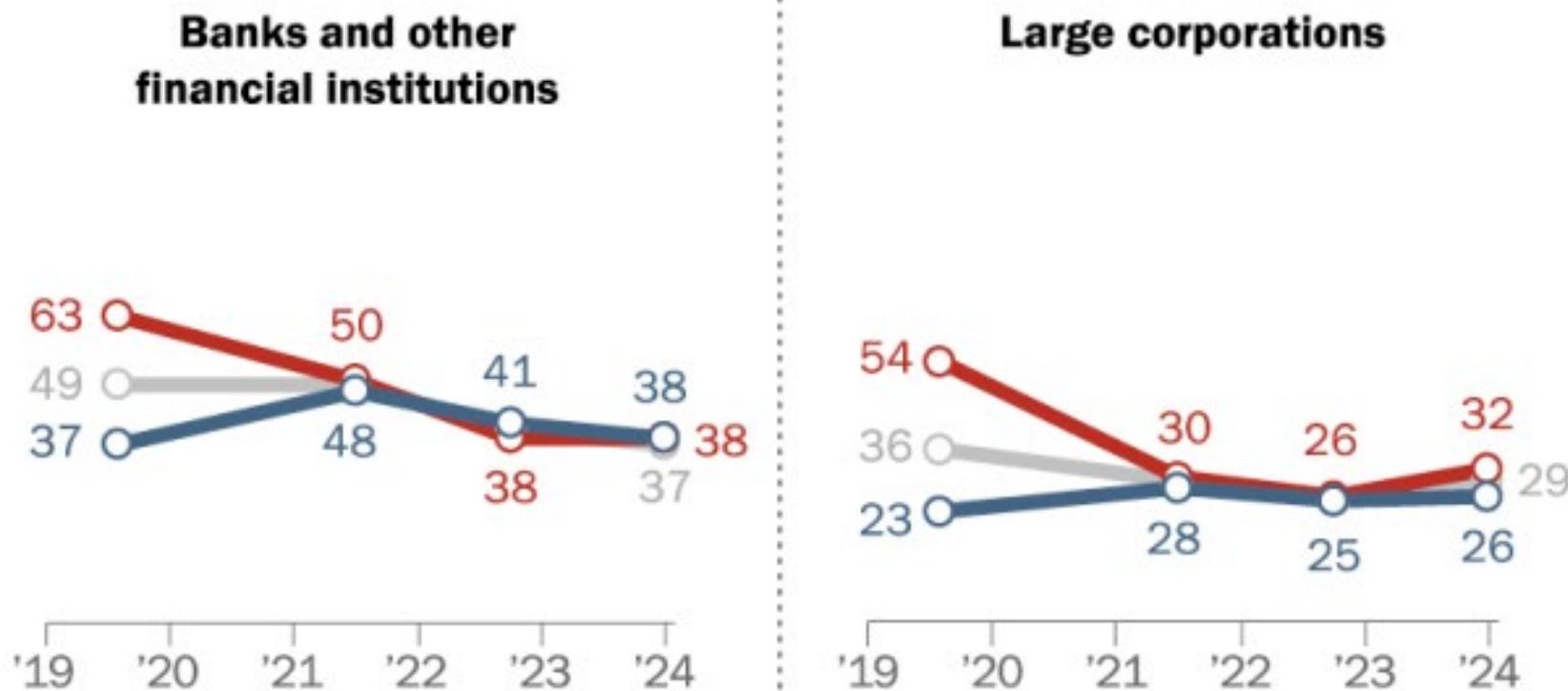
- Chairman of the Council of Economic Advisors during Trump 45
- Former senior economist at the Federal Reserve
- Former economist at the American Enterprise Institute (AEI)

# Political Realignment

# GOP and Corporate America

## Modest partisan differences in views of big businesses and technology companies

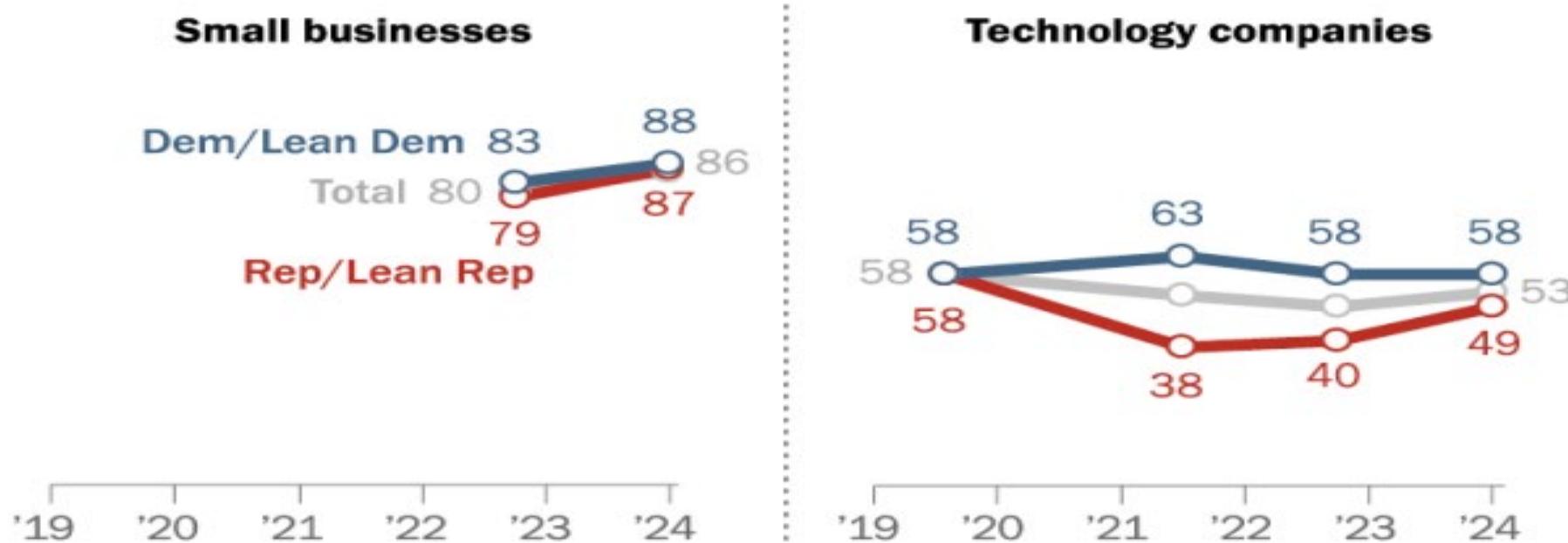
*% who say each of the following has a **positive** effect on the way things are going in the country these days*



# GOP and Corporate America

## Modest partisan differences in views of big businesses and technology companies

*% who say each of the following has a **positive** effect on the way things are going in the country these days*



[Link here](#)

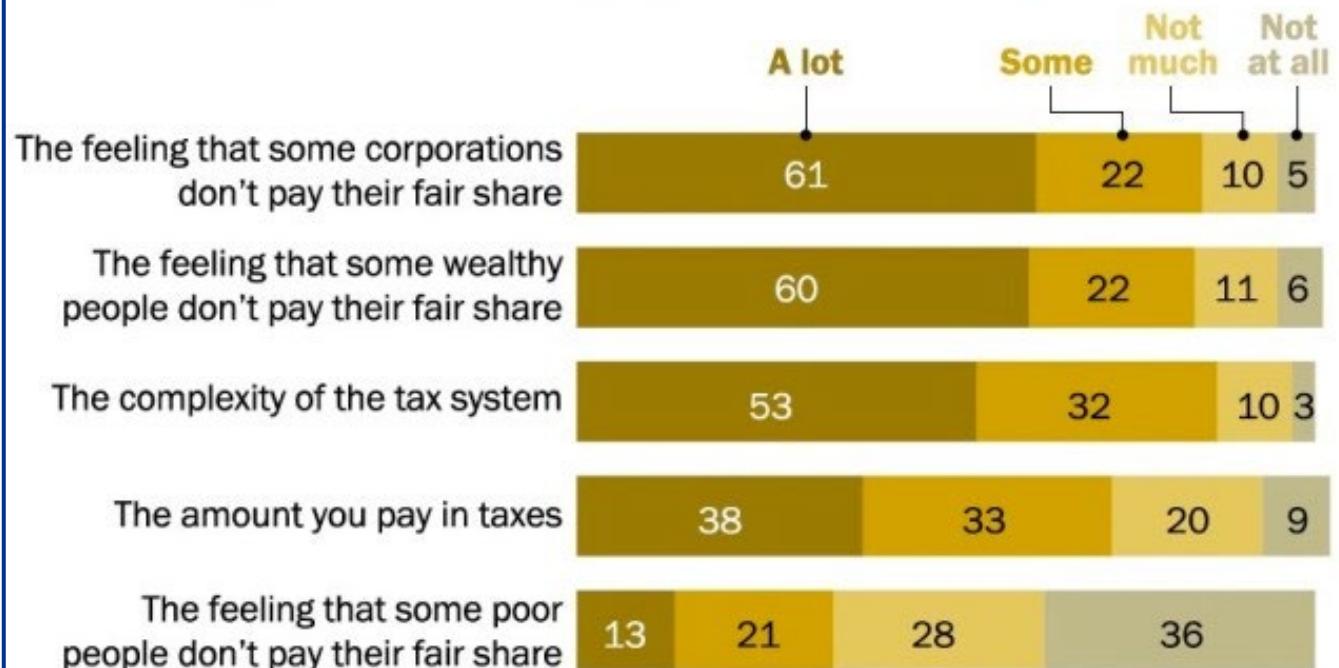
Source: Survey of U.S. adults conducted Jan. 16-21, 2024.

PEW RESEARCH CENTER

# Taxes: Too Much or Too Little?

## Americans' frustrations with the federal tax system

% who say each bothers them \_\_\_ about the federal tax system



Note: No answer responses not shown.

Source: Survey of U.S. adults conducted March 27-April 2, 2023.

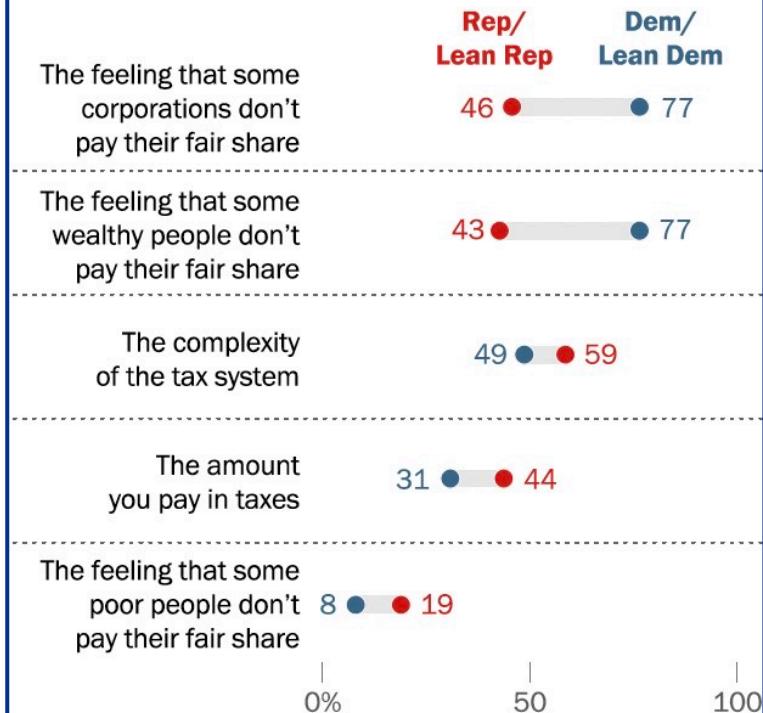
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## Democrats' top tax frustration is the feeling that some don't pay fair share; Republicans cite complexity of system

% who say each bothers them 'a lot' about the federal tax system



Source: Survey of U.S. adults conducted March 27-April 2, 2023.

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# The Tax Cliff of 2025

# Tax Uncertainty 2025



# Historical perspective – First year tax legislation



Economic Recovery Tax Act of 1981



Omnibus Budget Reconciliation Act of 1989



Omnibus Budget Reconciliation Act of 1993



Economic Growth & Tax Relief Reconciliation Act of 2001



American Recovery & Reinvestment Tax Act of 2009



Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018

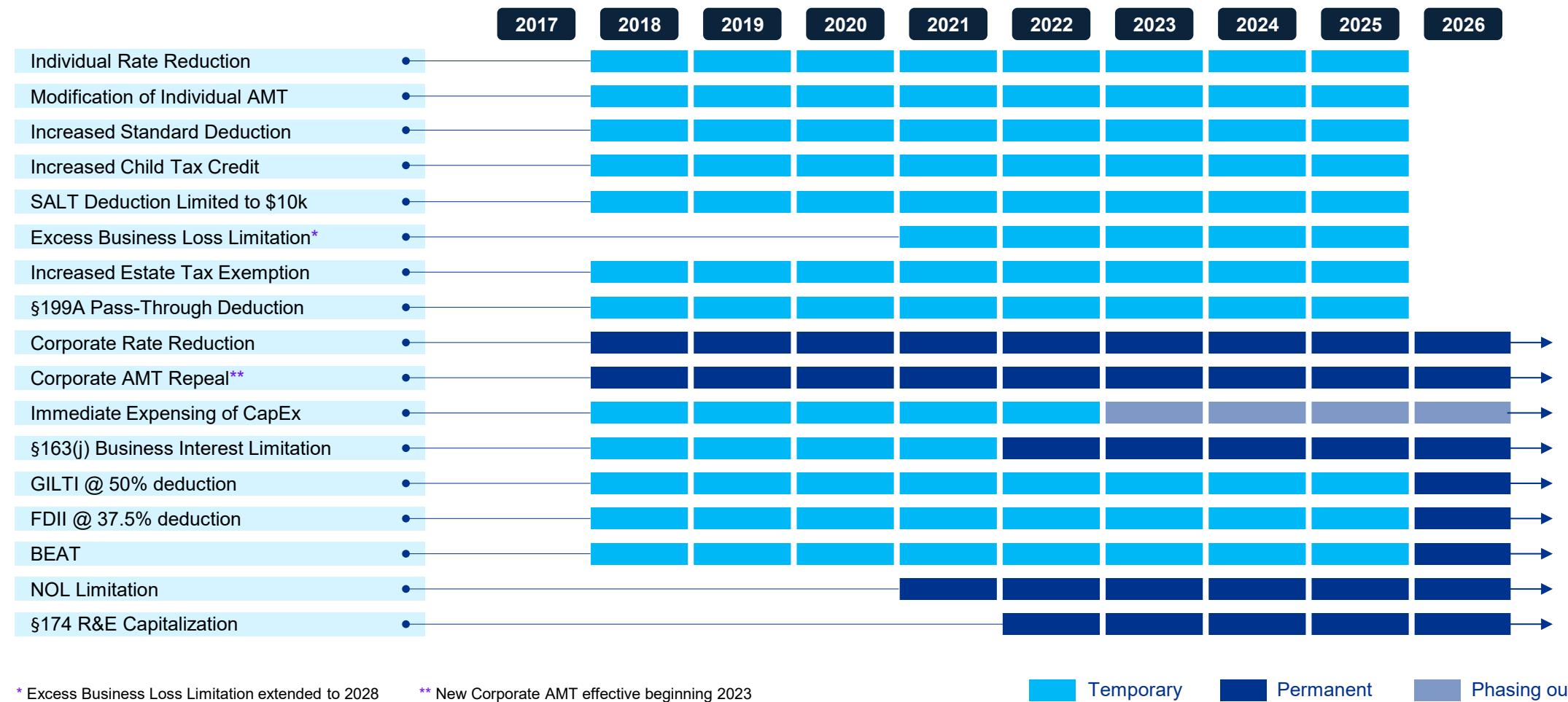


The American Rescue Plan Act

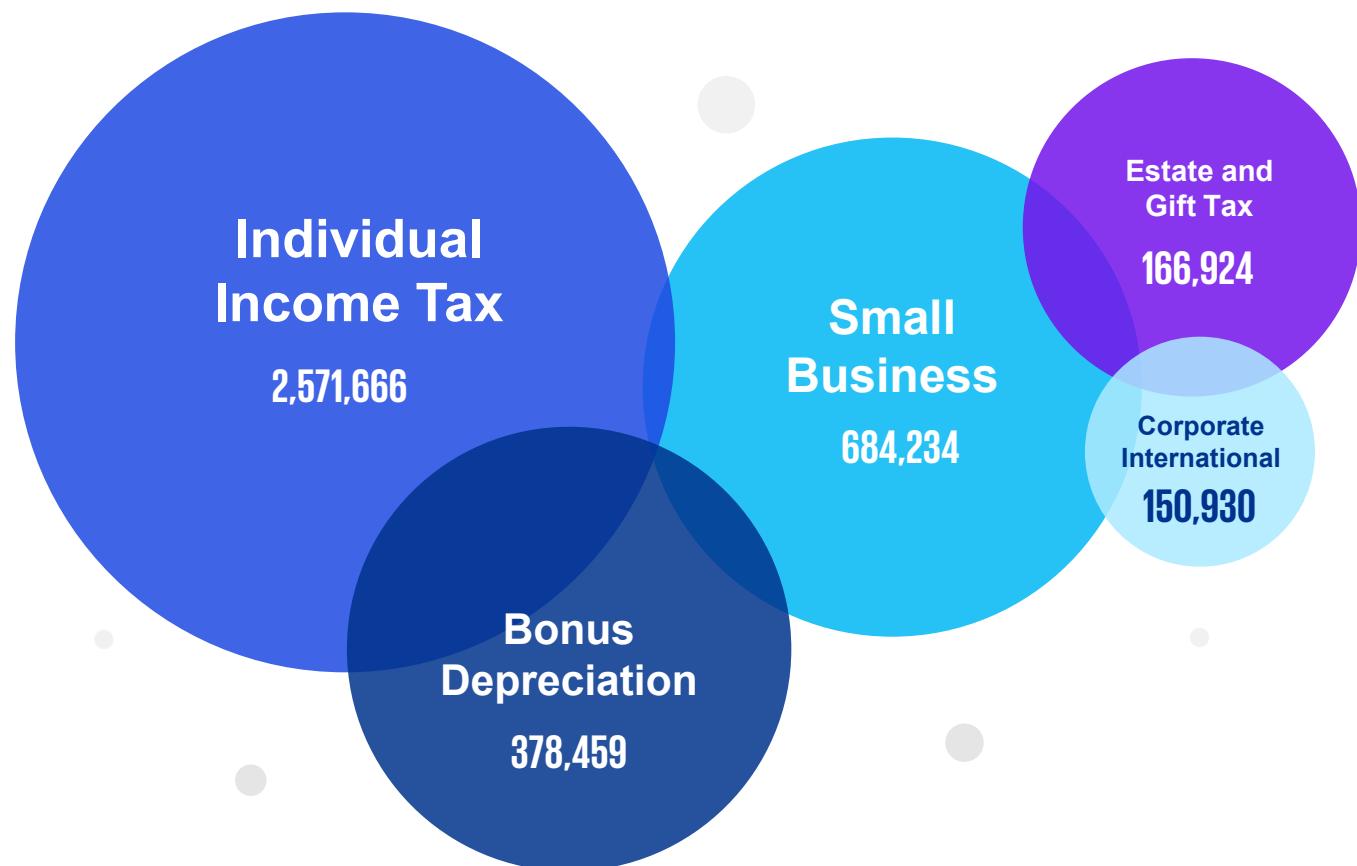


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# TCJA Provisions undergoing change

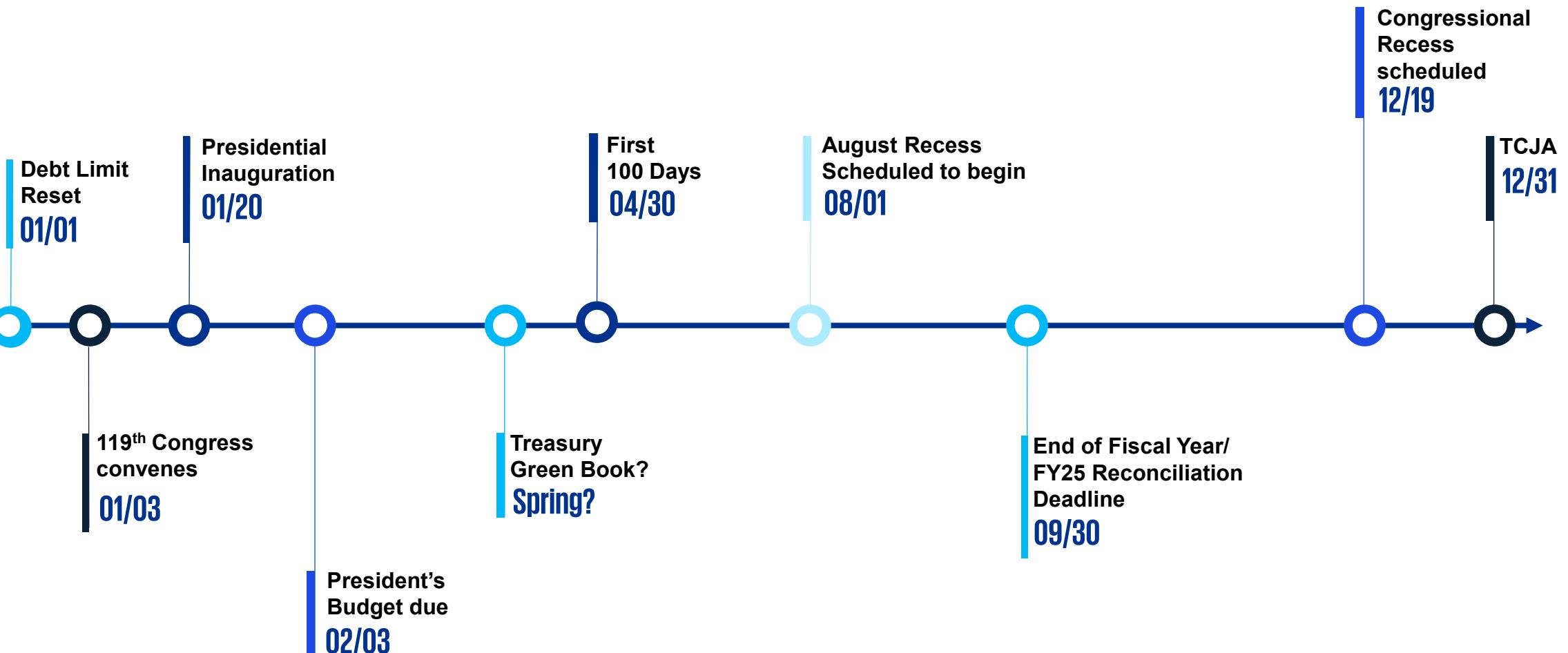


# Cost of Extending 2017 Law By Category



Source: Joint Committee of Taxation and Congressional Budget Office Estimates

# 2025 important dates



# Major legislation in a divided government

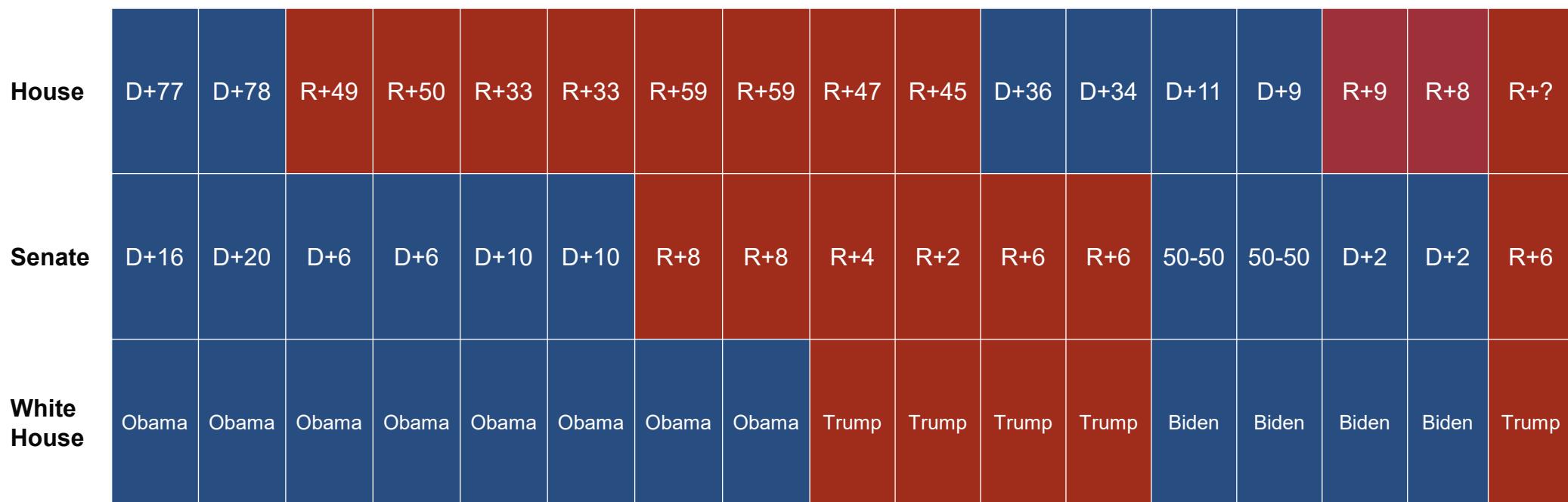
## Control of Congress and the White House by party

2009-2024; Composition on January 20 of each year

■ Republican control ■ Democratic control

\*Independents Sanders, King, Manchin, and Sinema, who caucus with the Democrats, have been included in the Democratic tally

2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025



ACA



TCJA



ARPA



IRA

# President-Elect Trump – campaign tax proposals

**No formal tax plan released**

## Make permanent the expiring TCJA provisions

### Taxation of individuals – additional proposals

- Eliminate taxes on Social Security payments
- Eliminate taxes on tip wages or overtime wages
- Enact tax benefits for first responders
- Enact tax benefits for caregivers
- Eliminate \$10,000 SALT cap
- Create deduction for car loan interest expense

### Taxation of businesses – additional proposals

- “Made in America” rate - 15% corporate rate on certain U.S. manufacturing income
- Double section 179
- Create special manufacturing zones on federal land “with ultra low taxes and regulations for American producers”



# Select possible proposals to offset costs

- IRA energy incentives repeal
- Discriminatory tax retaliatory measures
- Stock buyback rate increase
- Round-tripping penalty
- Roll back IRS funding
- Corporate rate increases
- Raise corporate alternative minimum tax
- Adopt aspects of minimum tax
- Tariffs
- Other budget savings

# Preparing for 2025

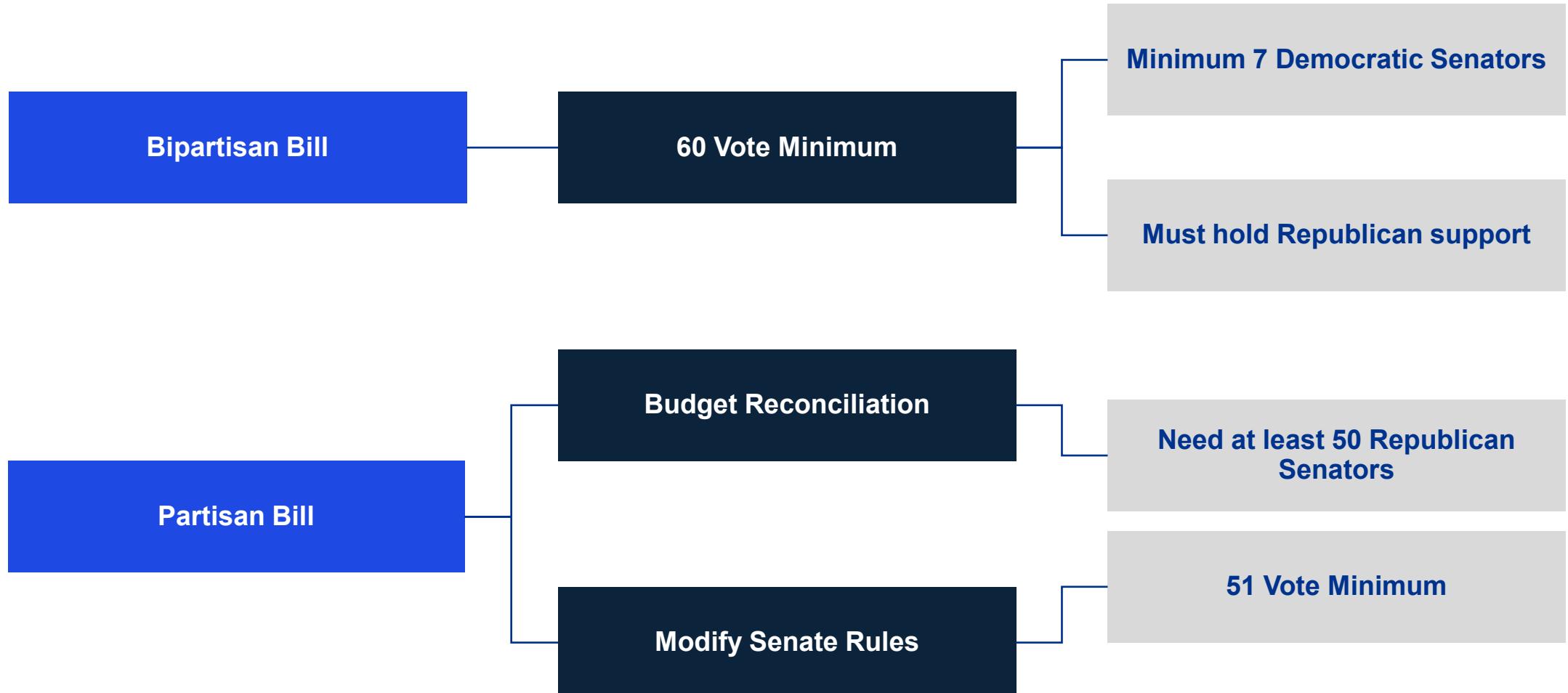


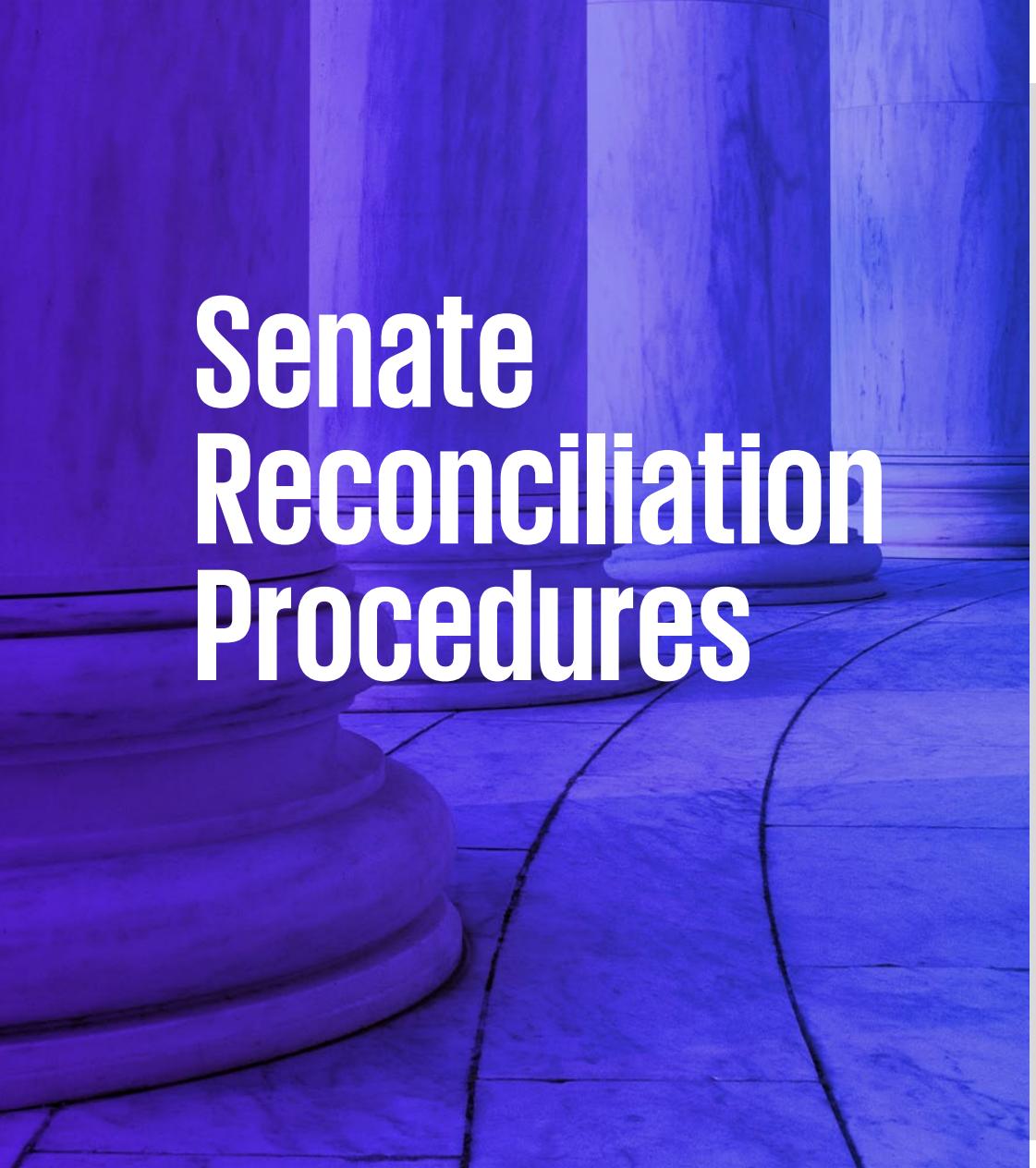
## Ways and Means GOP “Tax Teams”

- American Manufacturing
- Working Families
- American Workforce
- Main Street
- New Economy
- Rural America
- Community Development
- Supply Chains
- U.S. Innovation
- Global Competitiveness

# The Process of Enacting Legislation

# Two Senate paths to a major tax bill





# Senate Reconciliation Procedures

- No filibuster – no need for cloture and 60 votes
- No debate on the Motion to Proceed
- 20-hour debate limit (10 hour on conference report)
  - First degree amendments – 2 hours
  - Second degree amendments – 1 hour
- Germaneness rules
- Limit on time for debate but not on the number of amendments (Vote-a-rama)

# 2017's path to tax reform



# Many scenarios for TCJA items

## Long-term extension

- One party or bipartisan?
- Reconciliation?
- Length of time? Permanent?

## Short-term extension

- One party or bipartisan?
- Reconciliation?
- Length of time? (1 or 2 year+)

## Expiration

- Congress fails to act

# The Pillar Two Question

# What is the policy objective?

**Policy objective:** Pillar Two is designed to ensure that large internationally operating businesses pay a 15% minimum level of tax in every jurisdiction (described interchangeably by OECD Inclusive Framework members as “ending the race to the bottom in CIT rates” and “addressing remaining BEPS risks”).

*Three methods of achieving the policy objective (in order):*

**01**

Qualified Domestic Minimum top-up tax (QDMTT)

**Local country measure**

Allows the local jurisdiction to collect any top-up tax that would otherwise be paid to another jurisdiction under Pillar Two

Tax paid under a QDMTT reduces top-up tax payable under IIR/UTPR.

**02**

Income Inclusion Rule (IIR)

**“Parent” country measure**

Triggers top-up at the level of the Parent where the income of a constituent entity (aggregated at the jurisdictional level) is taxed at a rate less than 15%

**03**

Undertaxed profits rule (UTPR)

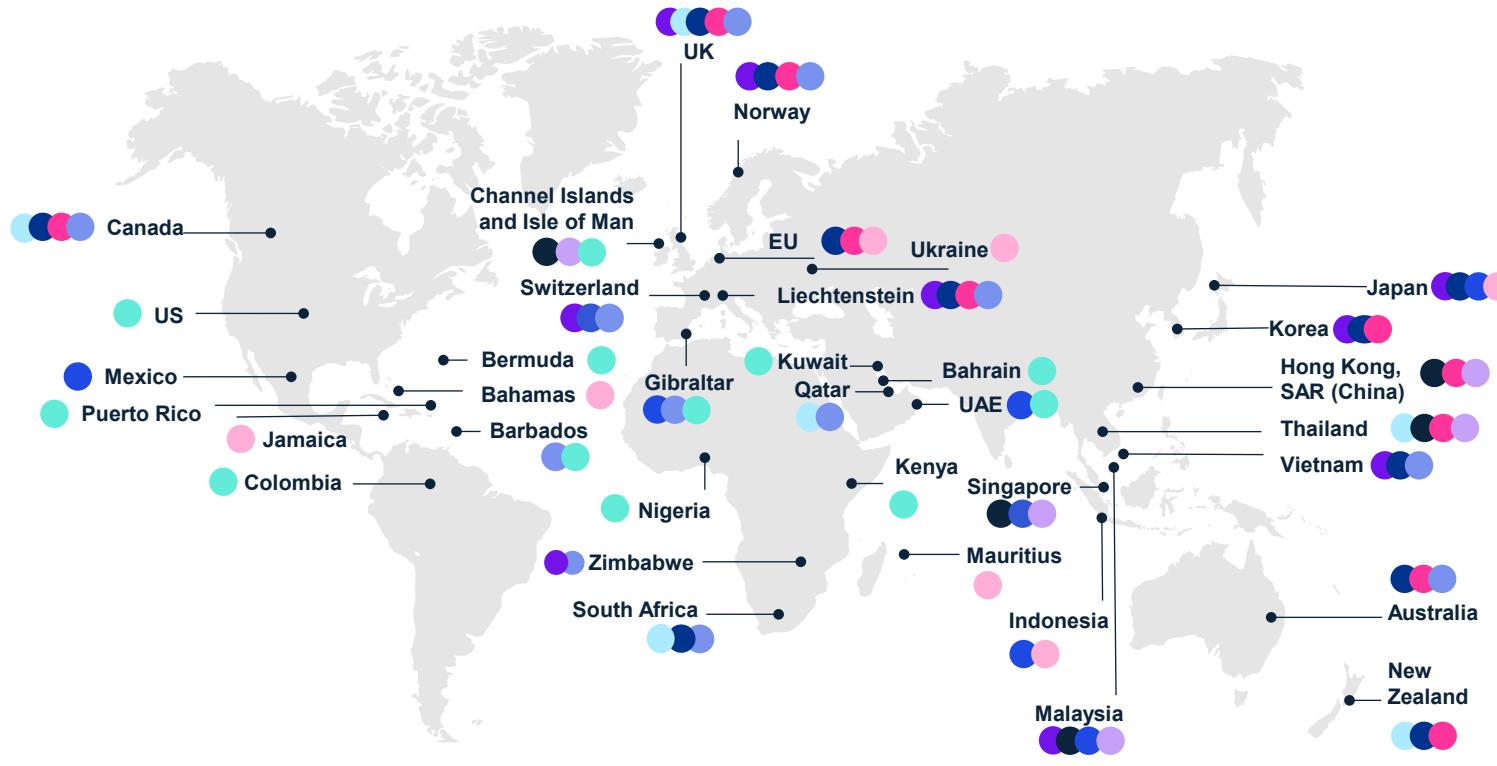
**Backstop measure**

UTPR is a backstop; it only applies where Group income is not already subject to IIR.

It operates by denying deductions (or an “equivalent adjustment”).

Applies to ultimate parent jurisdiction, including the U.S., with equal force

# Pillar Two – Global overview

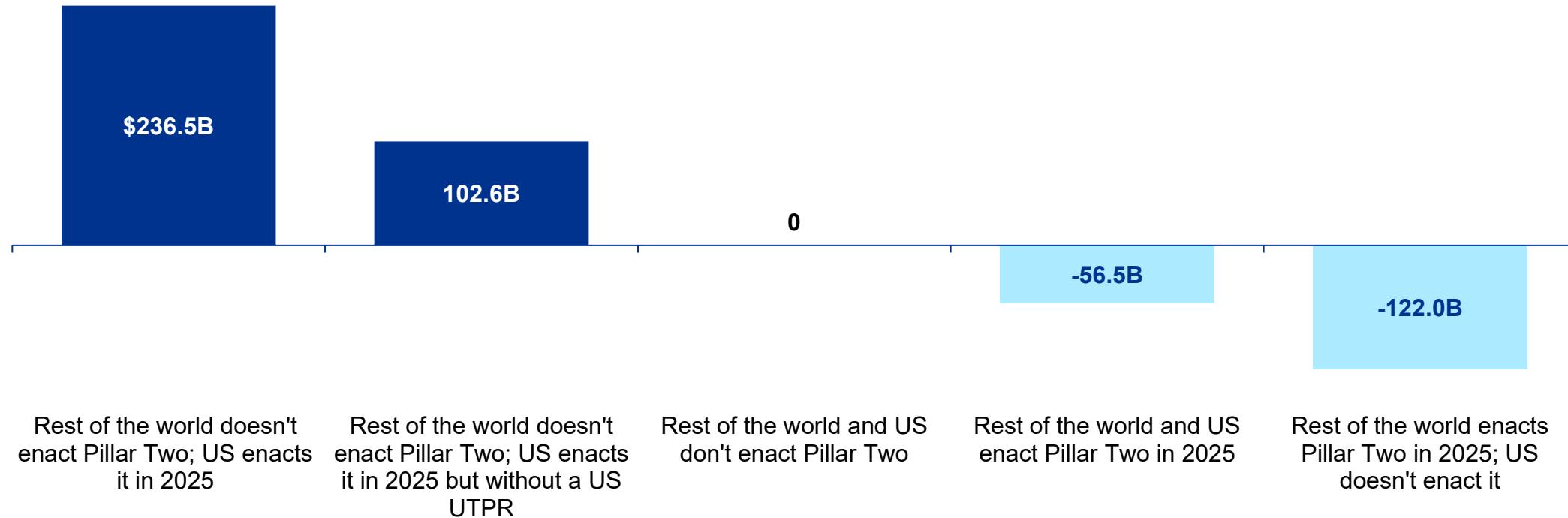


## Legend

- Legislation passed/approved
- Draft legislation released
- IIR (2024)
- IIR (2025)
- UTPR (2025)
- Intention to apply IIR/UTPR (timing uncertain or deferred)
- DMTT (2024)
- DMTT (2025)
- Intention/option to apply DMTT (timing uncertain)
- Other related legislation/announcement

# Pillar Two – potential impact on U.S. Revenue\*

\*Dollar amounts in Billions, 2023-2033



Note: The UTPR is expected to be effective in 2025 for most countries that have adopted Pillar Two rules.

Source: Bloomberg Government based on data from "Possible Effects of Adopting The OECD's Pillar Two, Both Worldwide And In The United States," Joint Committee on Taxation (June 2023)

# Republican skepticism

“

...this ‘America Last’ policy shifts jobs and... tax revenues out of the United States.

— Chairman Smith and Ranking Member Crapo (press release), June 20, 2023

“

Should foreign governments seek to target Americans through the UTPR or other mechanisms in the OECD global tax deal, we will be forced to pursue countermeasures.

— GOP House leadership letter to OECD, September 17, 2024

“

Ultimately, the Biden-Harris administration lacks the authority to impose any tax deal on Americans without the approval of the U.S. Congress...we continue to oppose the OECD global tax deal...

— GOP House leadership letter to OECD, September 17, 2024

“

The deal negotiated by the Biden Administration, without consulting Congress, surrenders America’s sovereignty over our tax laws, gives foreign competitors like China an economic advantage, and would cause the United States to forfeit over \$120 billion of tax revenue over the next decades....The Biden Administration has no constitutional authority to write U.S. tax laws...

— Chairman Smith (press release re: meeting with OECD), September 1, 2023

# Select W&M Republican tax proposals

Issues under discussion include:



## Defending American Jobs and Investment Act – (Smith)

- Introduced May 2023
- Would impose an additional 5% tax rate each year for 4 years (up to 20%), on the U.S. income of individuals and entities located in foreign jurisdictions that impose a discriminatory tax (UTPR, DST)

## Unfair Tax Prevention Act – (Smith, Estes, Feenstra)

- Introduced July 2023
- Would increase the BEAT applicable to certain foreign-controlled entities connected with entities operating in jurisdictions with extraterritorial taxes (including UTPR) aimed at U.S. business operations. Specifically the bill would:
  - Eliminate the 3% base erosion percentage floor and the \$500 million gross receipts test
  - Revoke the ability to disregard certain service payments and payments subject to withholding taxes
  - Treat 50% of cost of goods sold as a base erosion tax benefit

# Resources

## Selected resources

## Description

Podcast series:  
[Catching up on  
Capitol Hill](#)

Insights from KPMG professionals about current developments in Washington to help make sense of tax policy discussions – what may happen next, why it's happening, and potential impacts.

[Legislative Updates  
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Latest tax developments from the United States and from KPMG member firms around the globe



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