



2024 Global Financial Reporting and Valuation Conference

Legislative update

—

December 10 | Fontainebleau Miami Beach, Florida





What's Next? Tax policy in a New Washington



Notices

The following 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.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

In various sections of this document, for ease of understanding and as a stylistic matter, we may use language (such as “will” or “should”) that might suggest that we have come to a particular level of comfort or conclusion as to a particular issue. We hereby advise you that such language is not intended to state a level of comfort upon which you should rely.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.



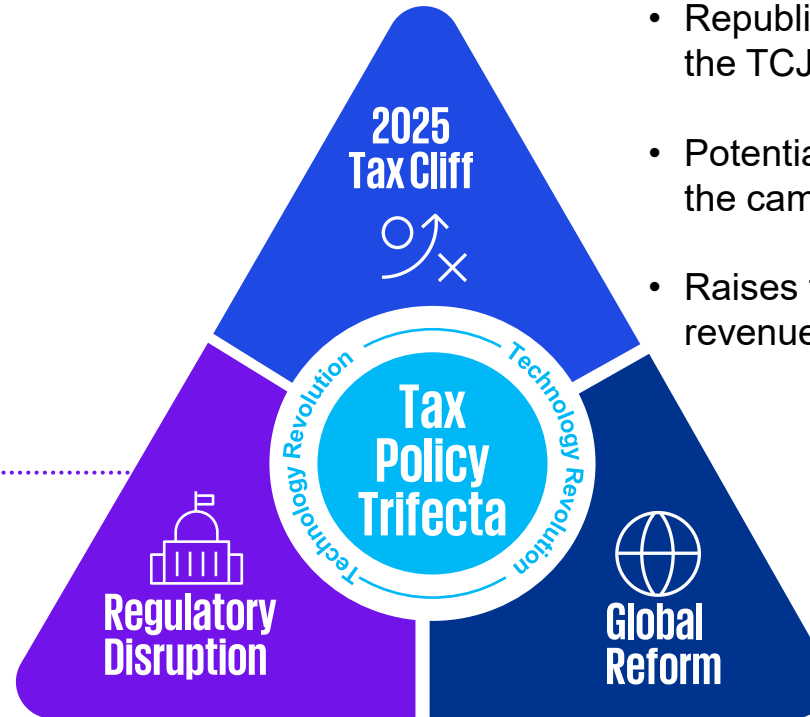
Tax Policy Trifecta

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



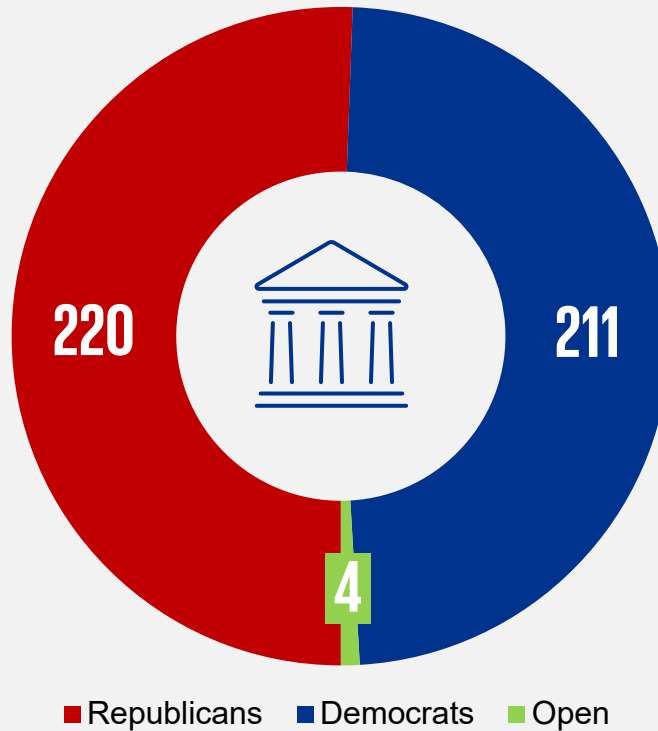
Global Reform:

- 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

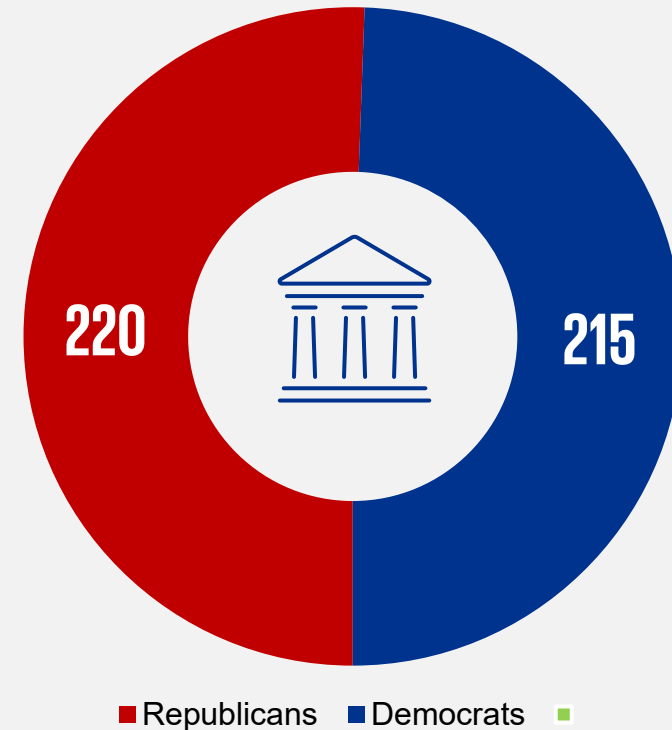
Washington

U.S. House of Representatives

Current U.S. House of Representatives

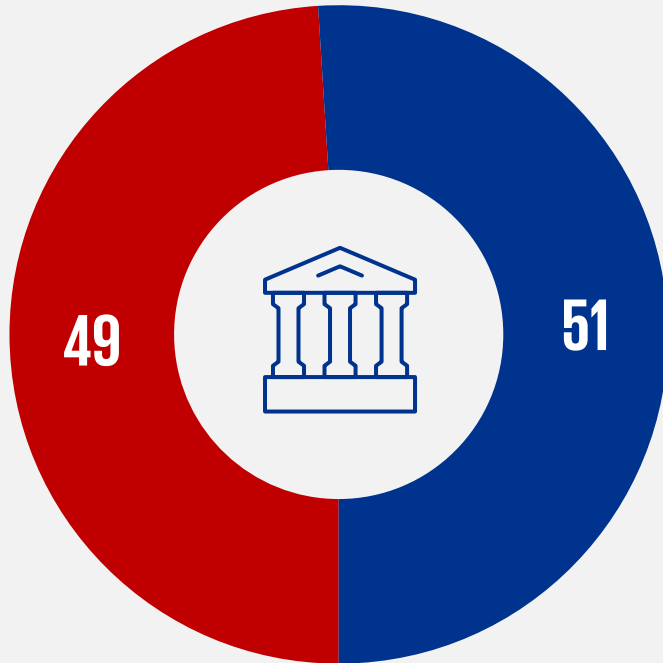


2025 U.S. House of Representatives



U.S. Senate

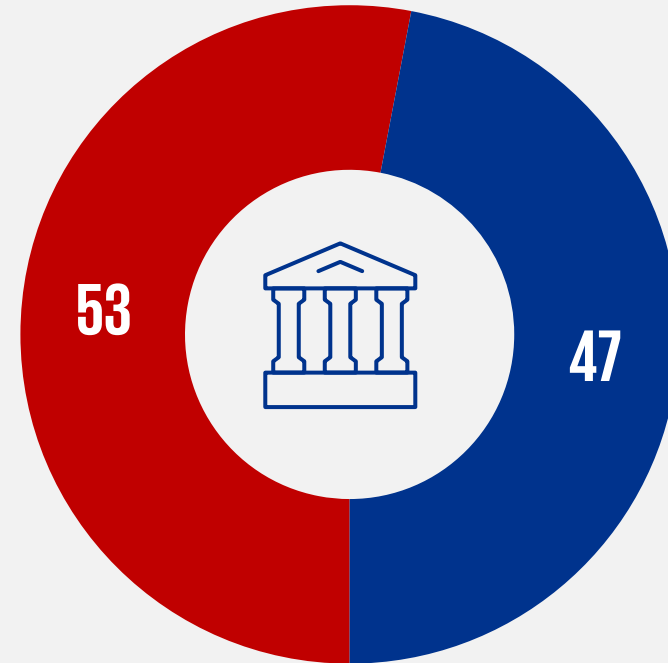
Current U.S. Senate



■ Republicans ■ Democrats

3 independent Senators caucus with the Democrats

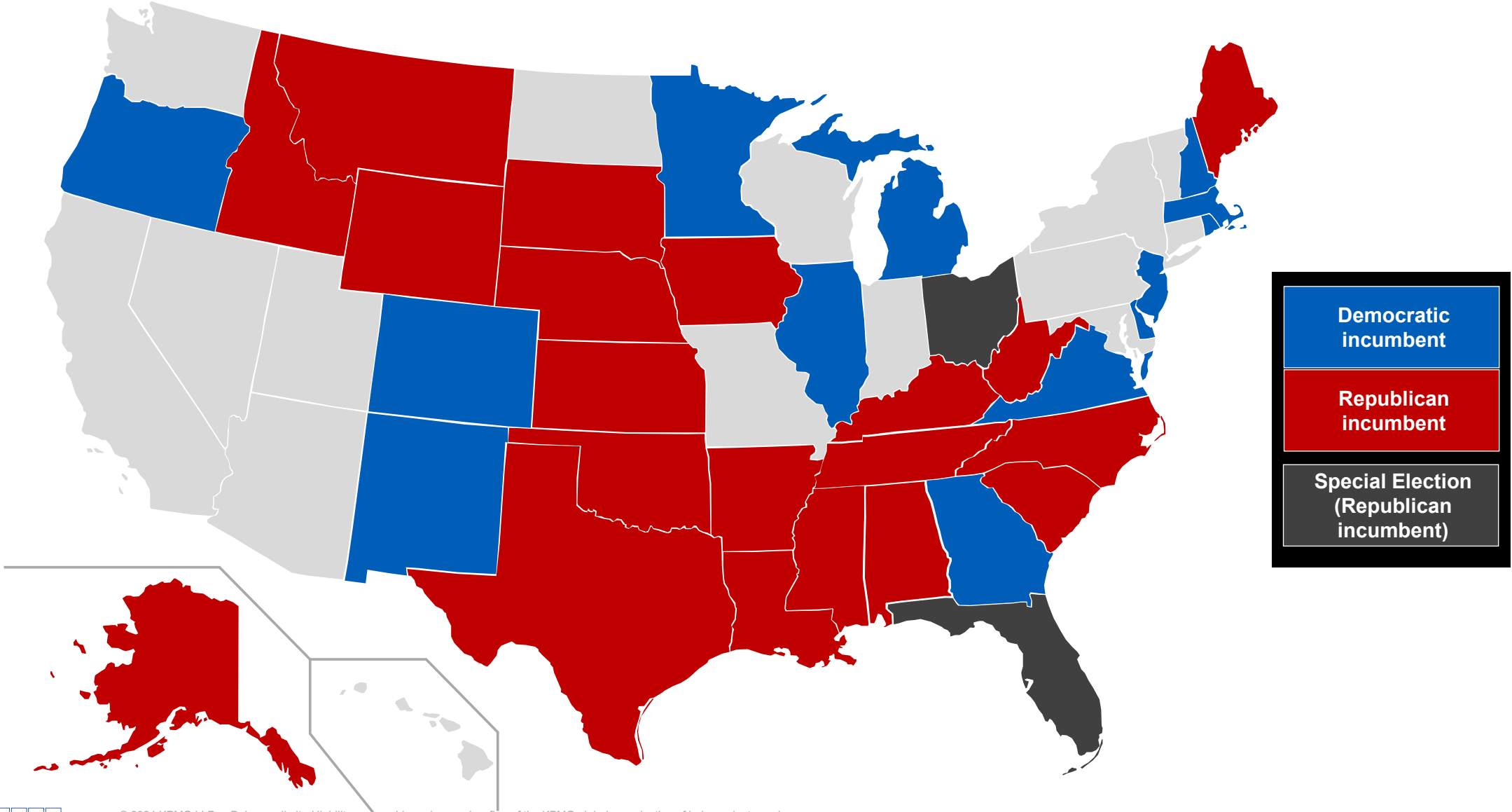
2025 U.S. Senate



■ 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 - *Scott Bessent (Nominee)*

Deputy Secretary - *Michael Faulkender (Nominee)*

Inspector General

Inspector General – Tax Administration

Special Inspector General – Troubled Asset Relief Program

Commissioner of Internal Revenue - *Billy Long (Nominee)*

Comptroller of the Currency

Director – Office of Financial Research

Director – Office of Thrift Supervision

Under Secretary – Domestic Finance

Under Secretary – Terrorism and Financial Intelligence

Under Secretary – International Affairs

Assistant Secretary – Economic Policy

Assistant Secretary – Financial Institutions

Assistant Secretary – Financial Markets

Assistant Secretary – Financial Stability

Assistant Secretary – Intelligence and Analysis

Assistant Secretary – International Finance

Assistant Secretary – International Markets and Development

Assistant Secretary – Legislative Affairs

Assistant Secretary – Tax Policy

Assistant Secretary – Terrorist Financing

Chief Financial Officer

General Counsel

Chief Counsel – Internal Revenue Service

Director of the Mint

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

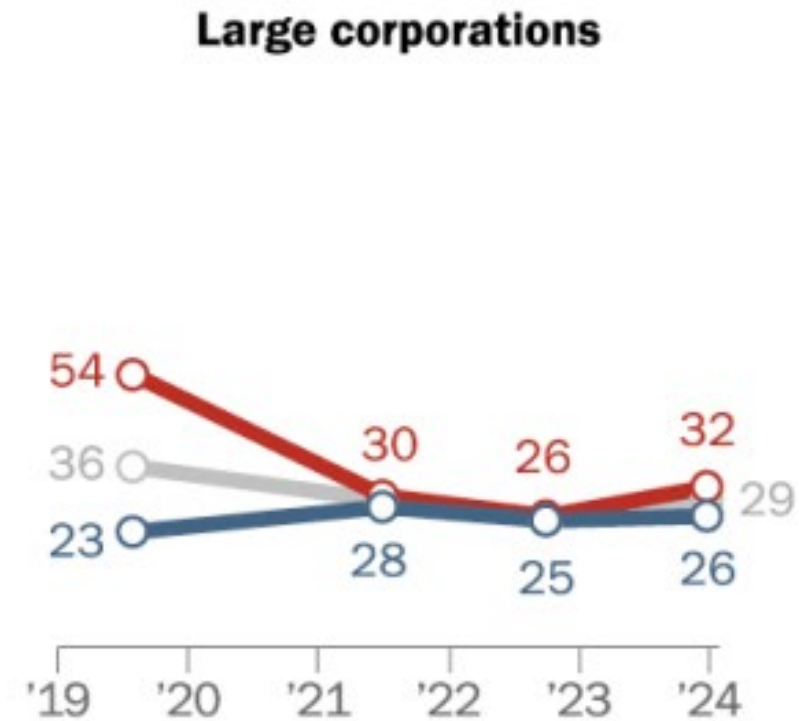
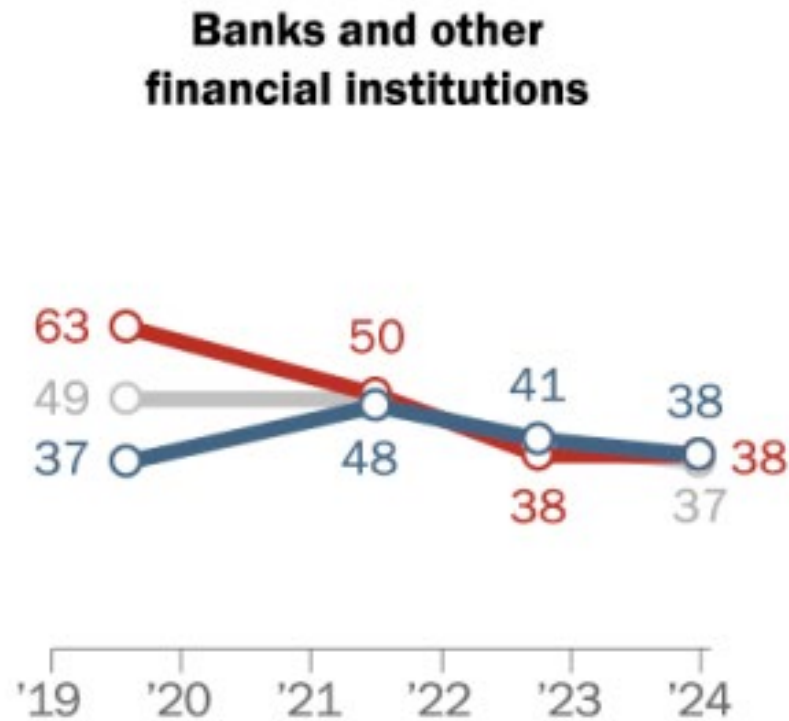
- Chairman of the Council of Economic Advisors during Trump 45
- Former senior economist at the Federal Reserve
- Former economist at the American Enterprise Institute (AEI)

Political Realignment

GOP and Corporate America

Modest partisan differences in views of big businesses and technology companies

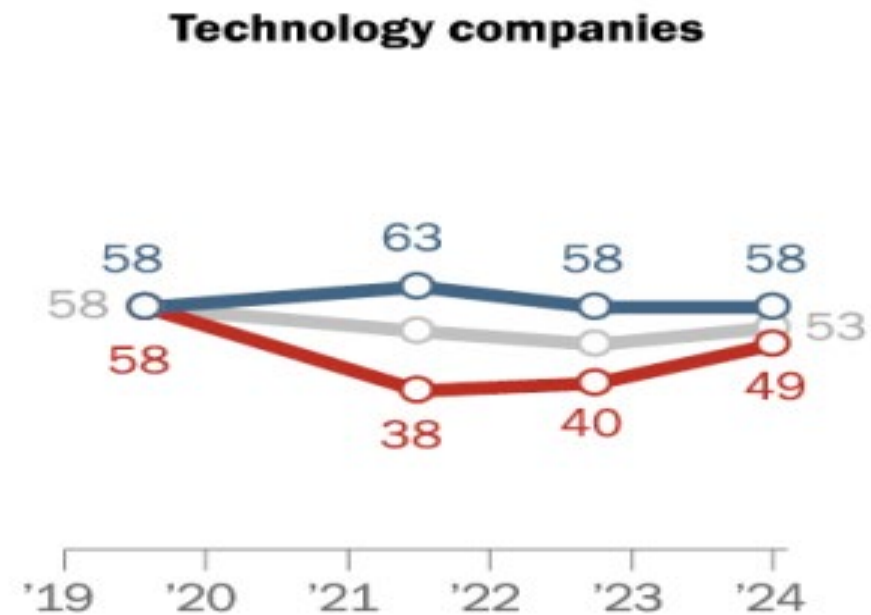
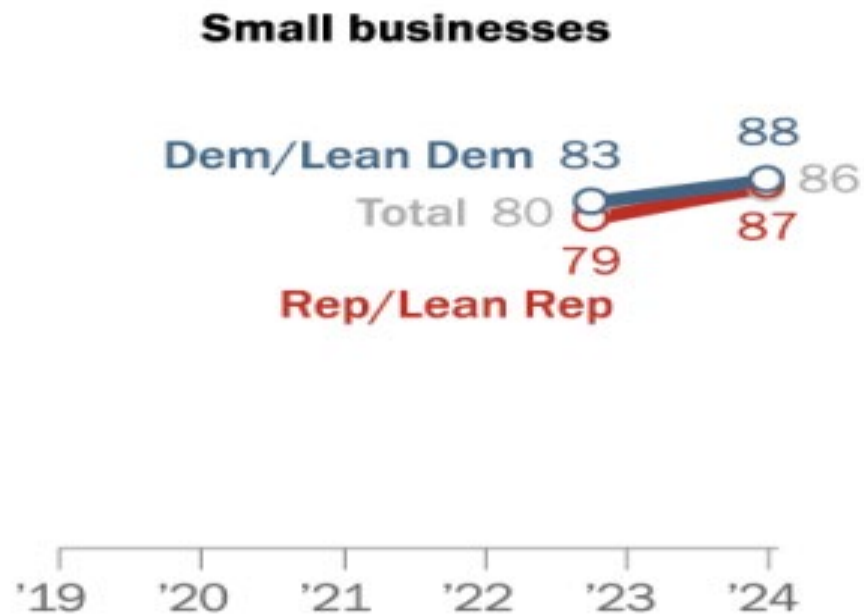
*% who say each of the following has a **positive** effect on the way things are going in the country these days*



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](#)



© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

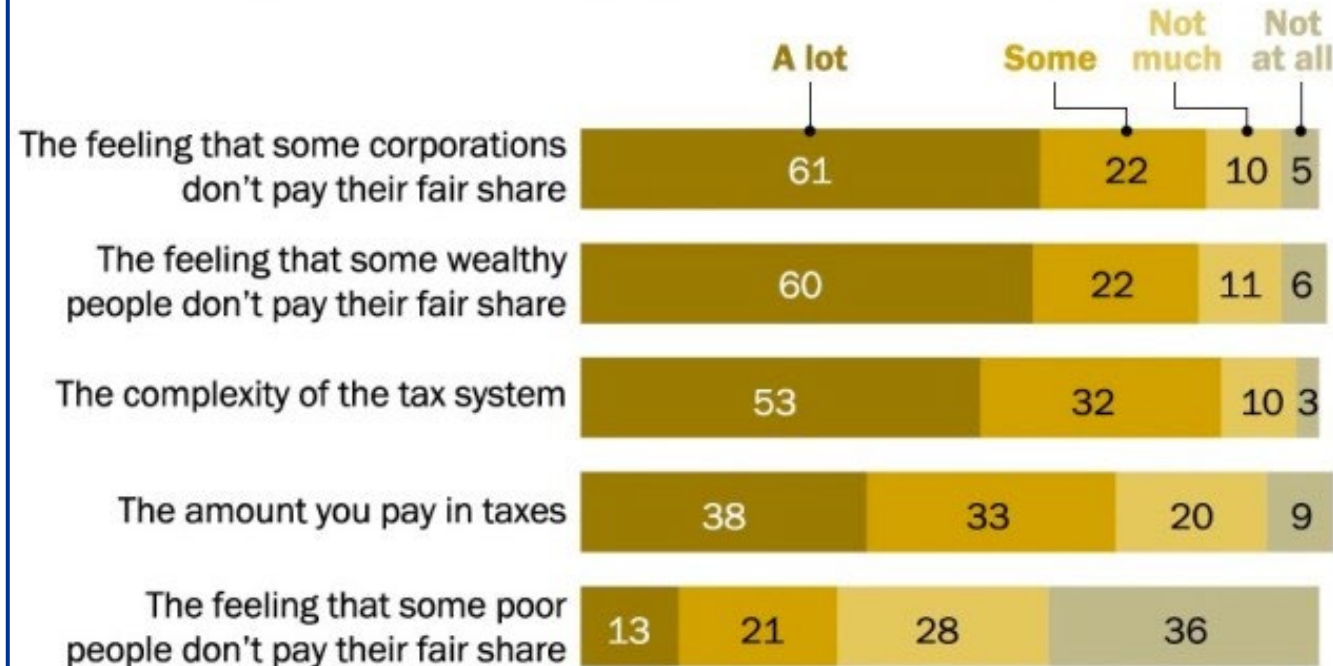
Source: Survey of U.S. adults conducted Jan. 16-21, 2024.

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



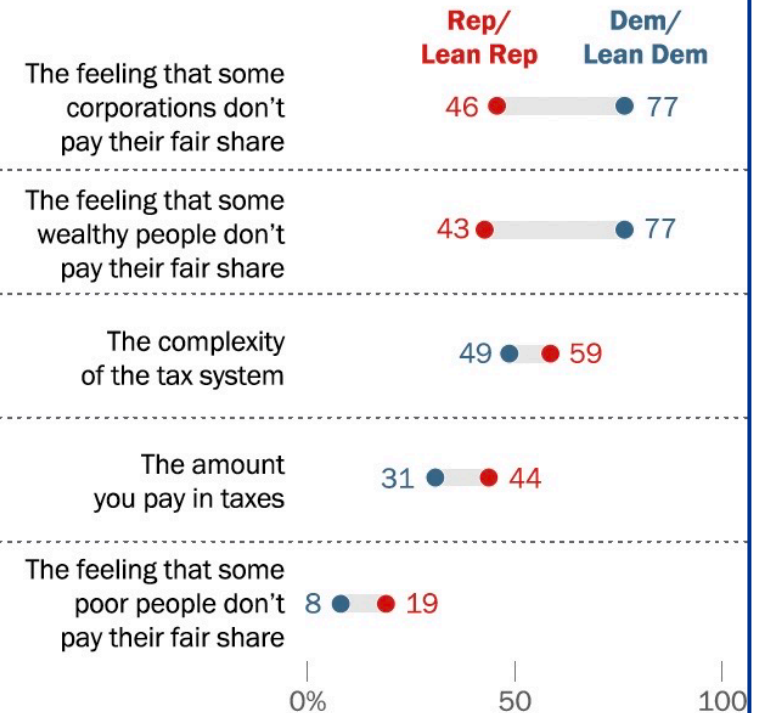
Note: No answer responses not shown.

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

PEW RESEARCH CENTER

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

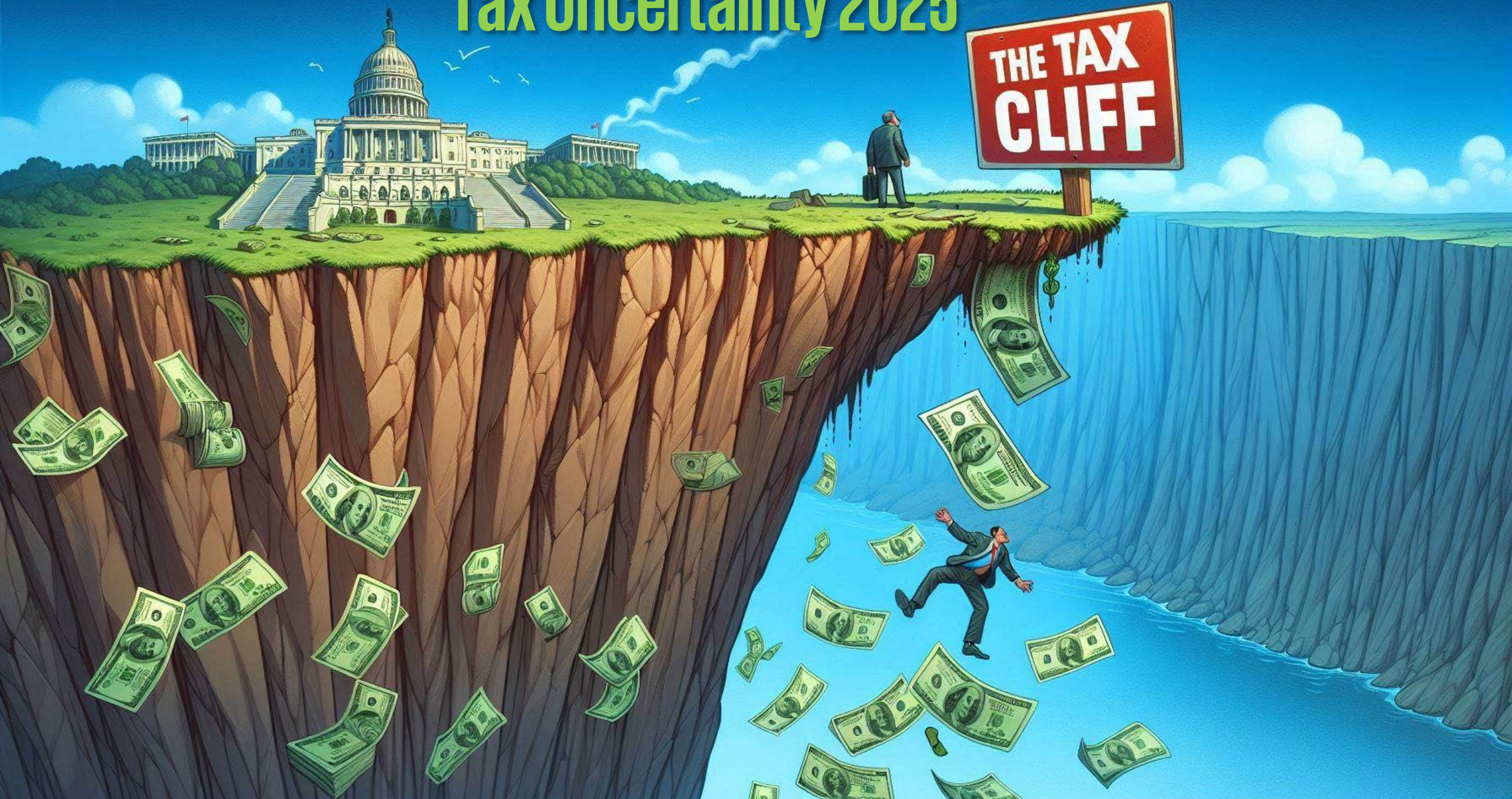


Source: Survey of U.S. adults conducted March 27-April 2, 2023.

PEW RESEARCH CENTER

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

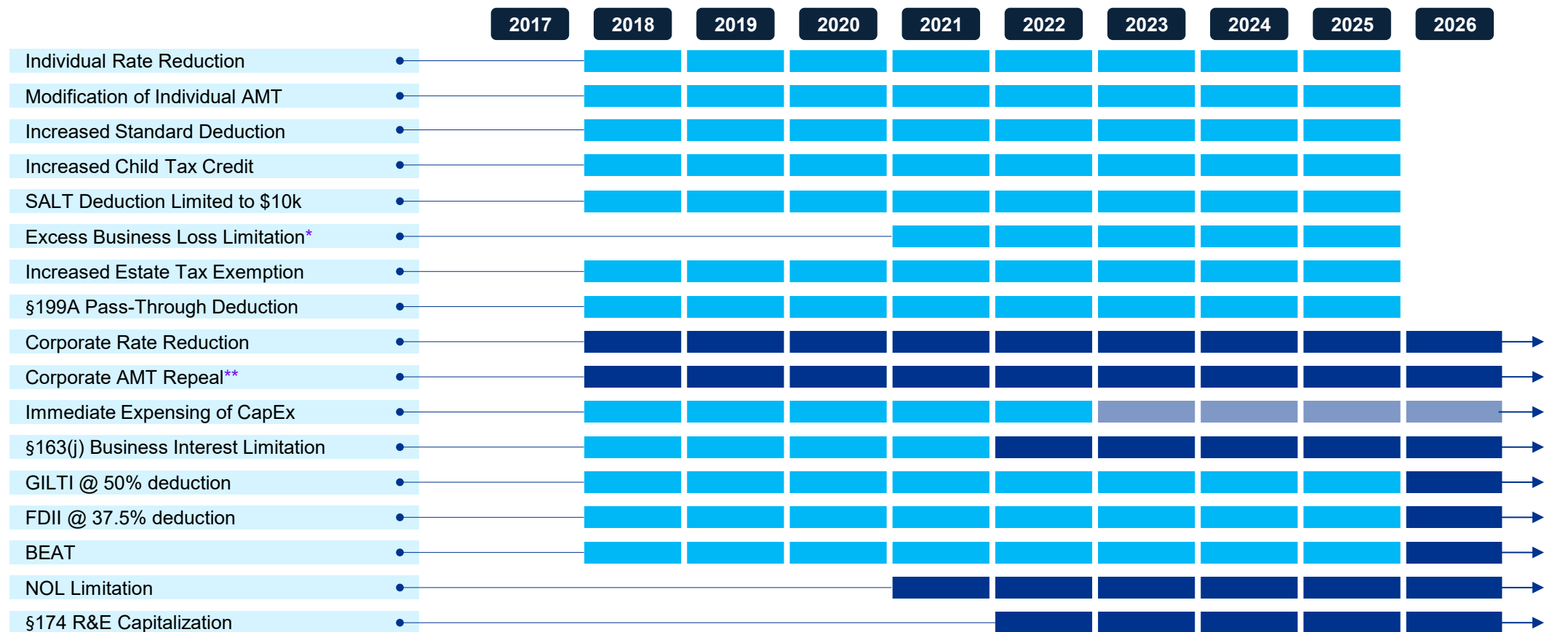


The American
Rescue
Plan Act



???

TCJA Provisions undergoing change

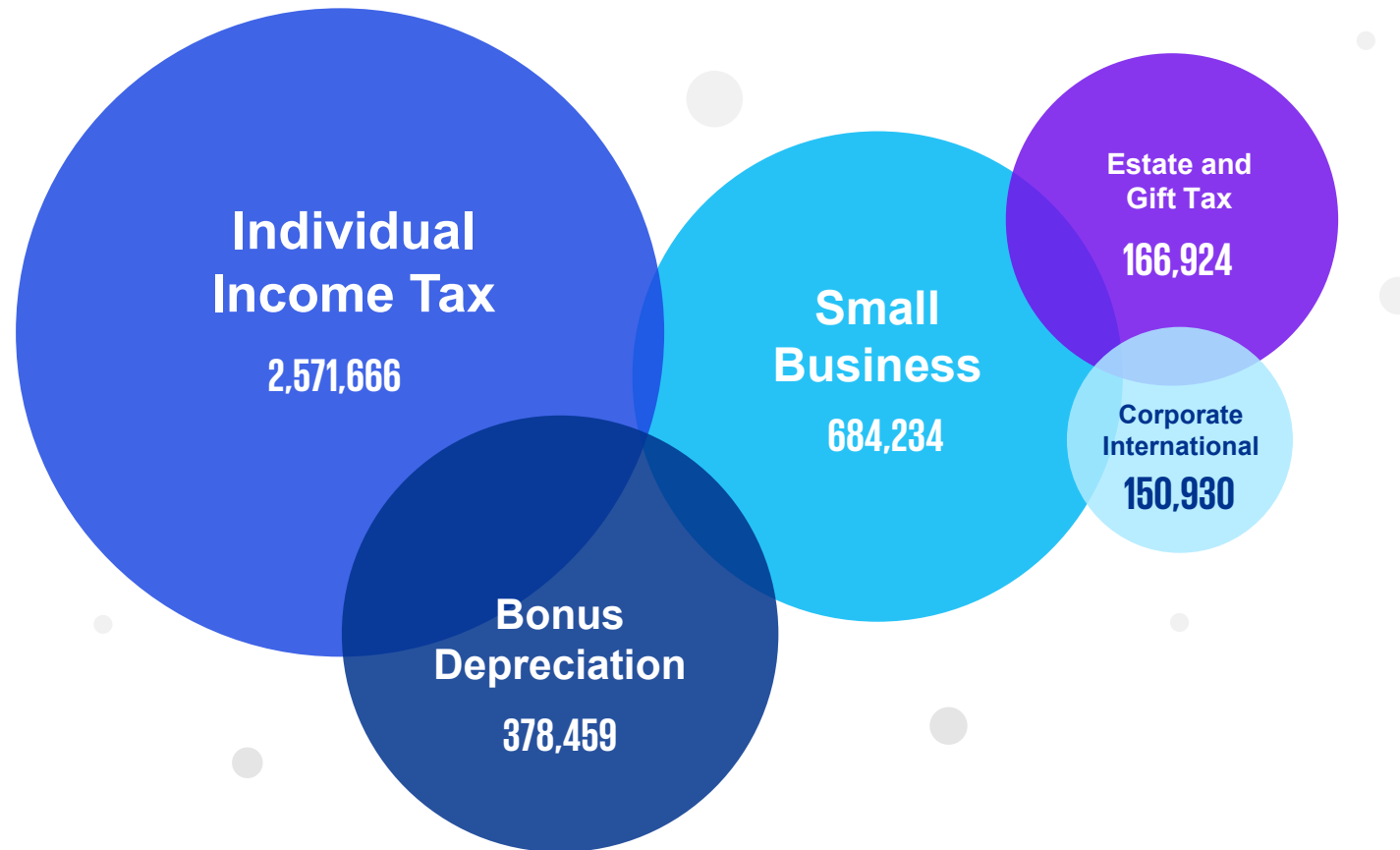


* Excess Business Loss Limitation extended to 2028

** New Corporate AMT effective beginning 2023

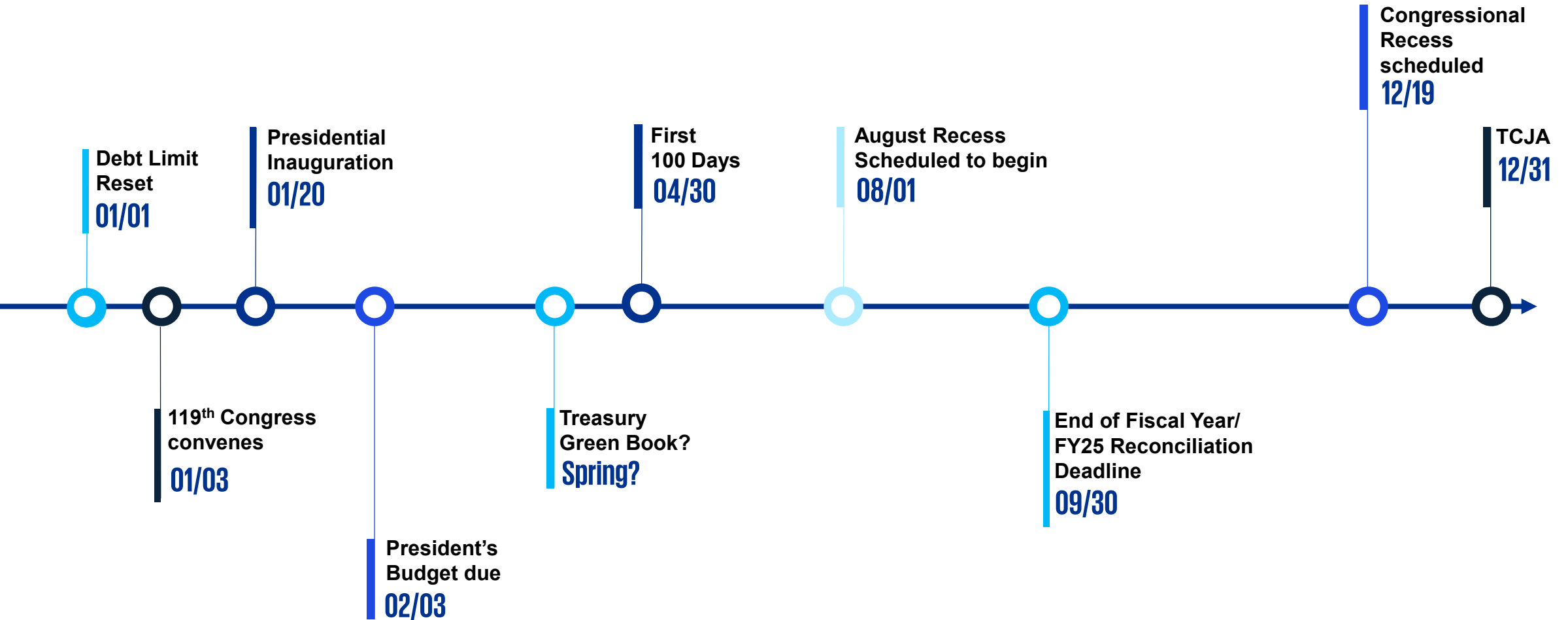
Temporary Permanent Phasing out

Cost of Extending 2017 Law By Category



Source: Joint Committee of Taxation and Congressional Budget Office Estimates

2025 important dates

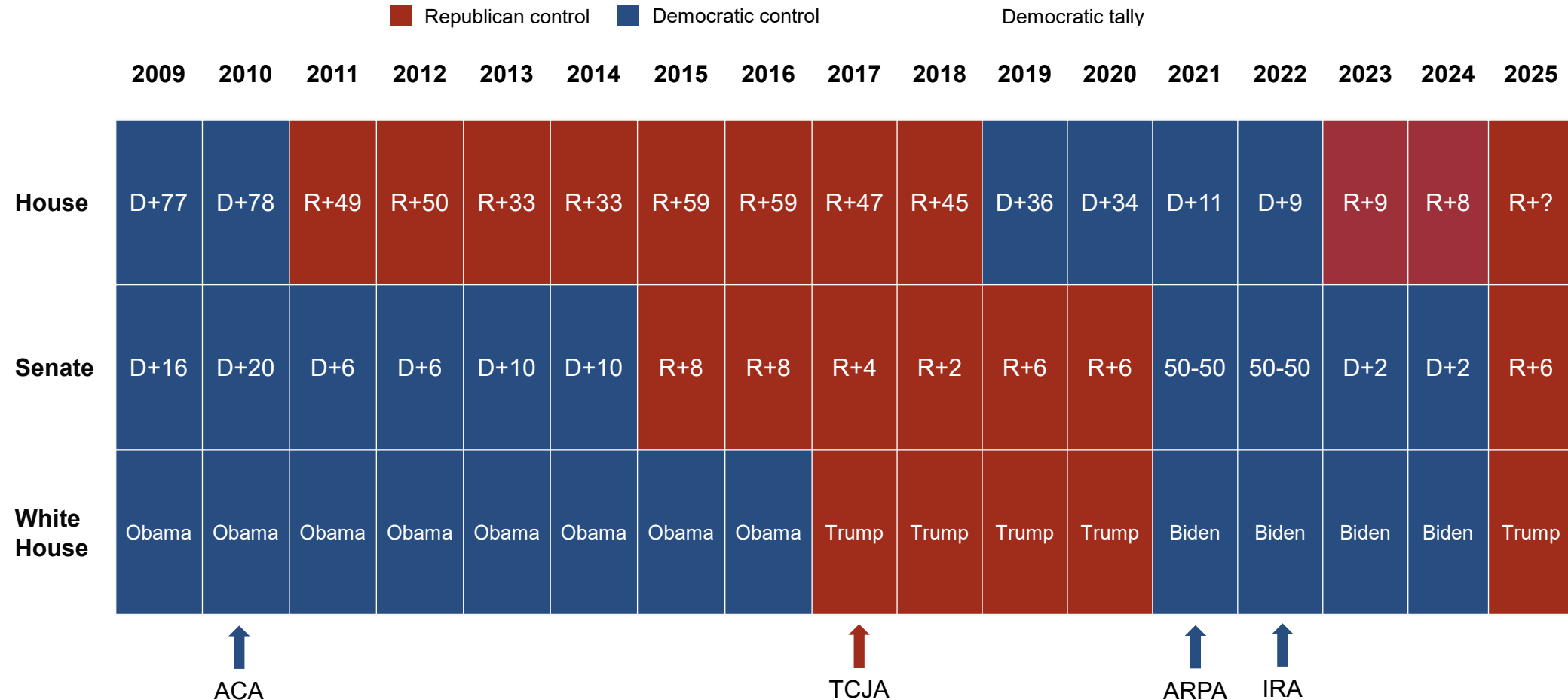


Major legislation in a divided government

Control of Congress and the White House by party

2009-2024; Composition on January 20 of each year

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



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

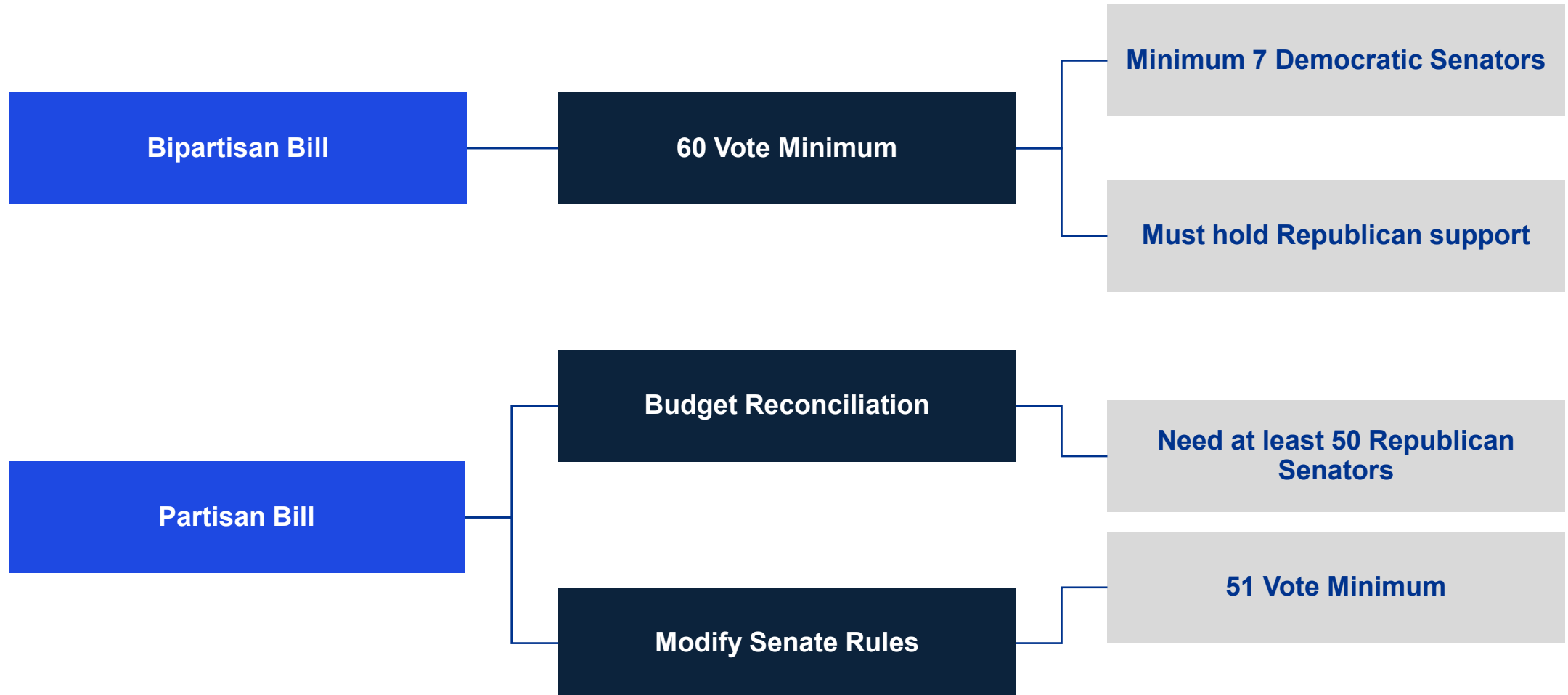


Ways and Means GOP “Tax Teams”

- 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

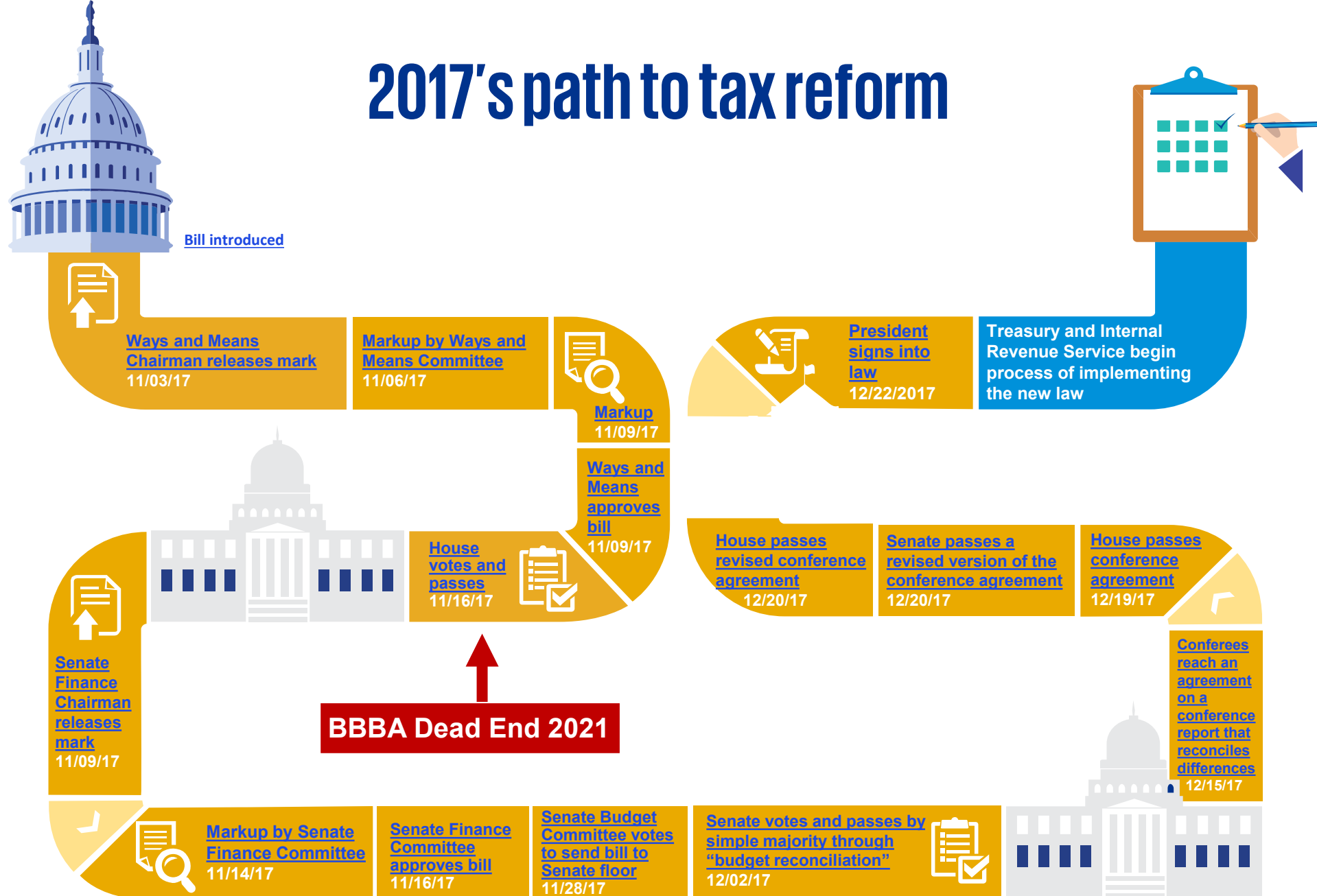
Two Senate paths to a major tax bill



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)

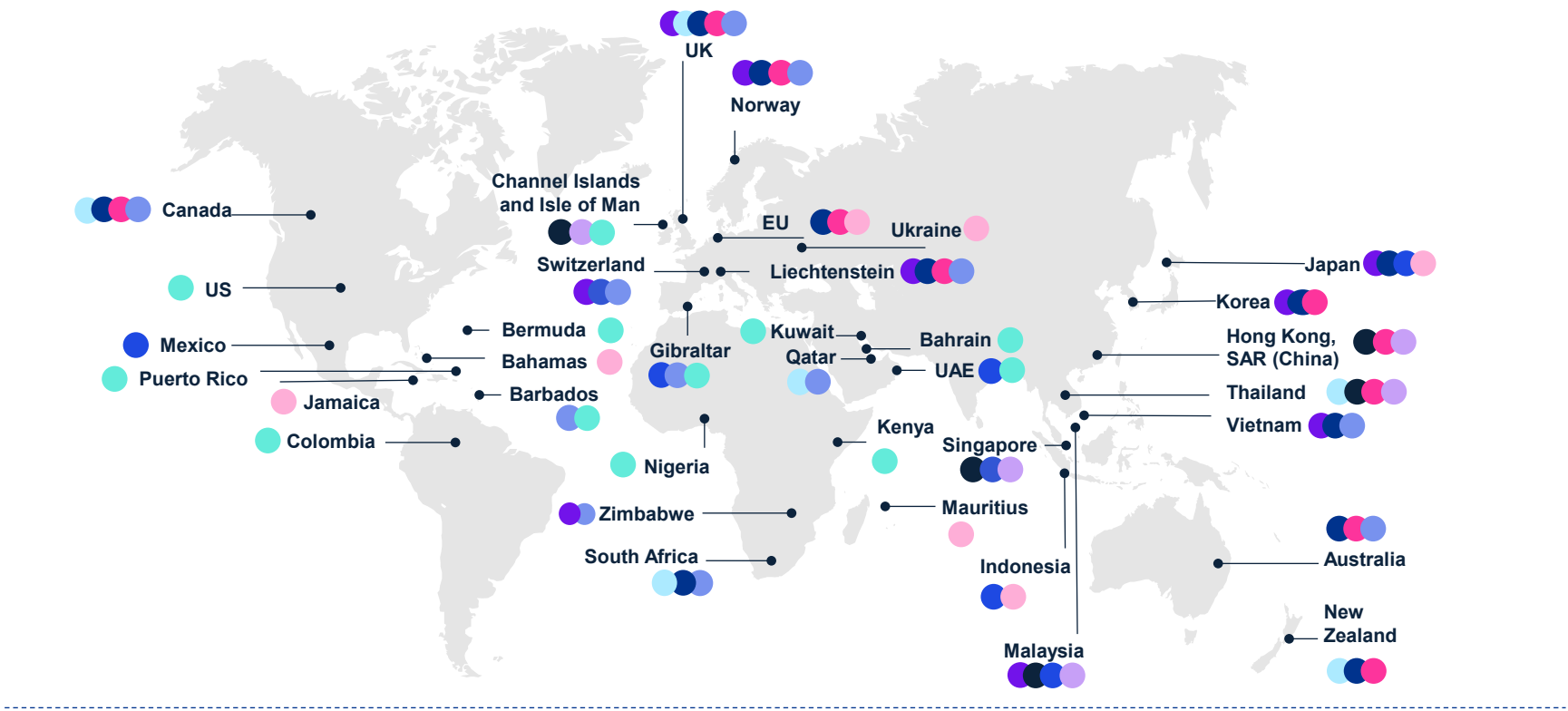
Backstop measure

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

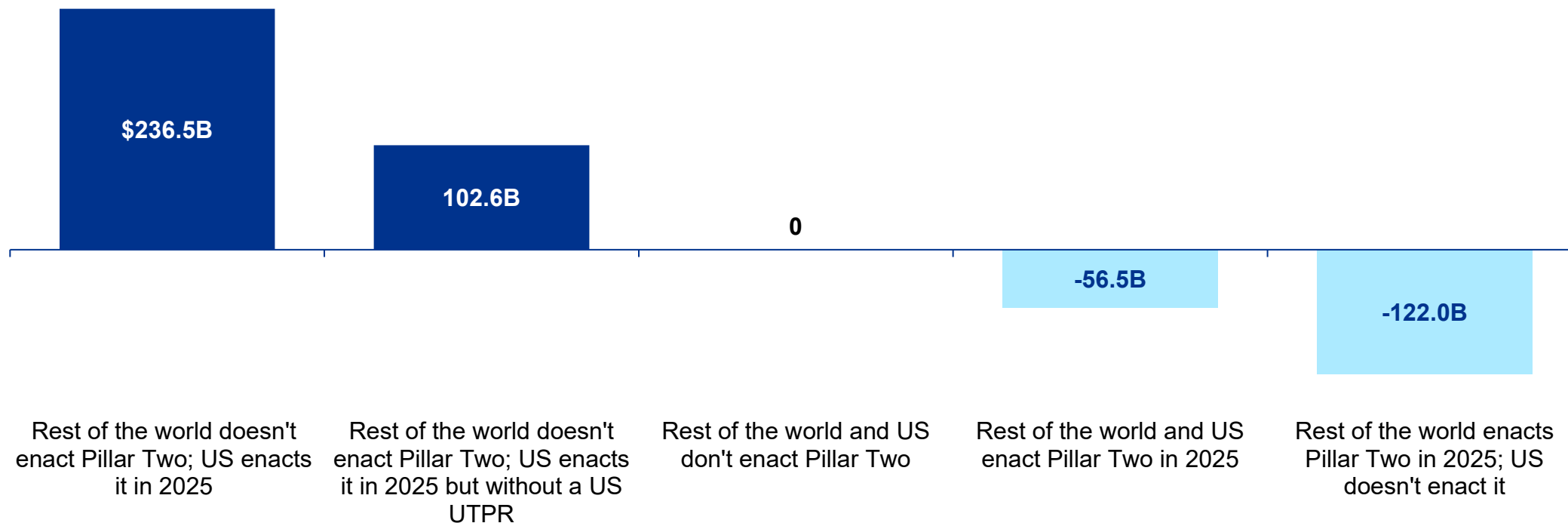


Legend

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

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 Homepage](#)

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



Thank you



Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.



kpmg.com/socialmedia

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.