U.S. and Global tax reform and modeling challenges

Modeling potential impacts of the changing U.S. and Global tax legislative and regulatory landscape

The pace of change in U.S. and global tax shows no signs of slowing. Even in the absence of any new U.S. legislative and regulatory proposals, the U.S. is poised to have several key provisions change in 2026 due to the timing language in the U.S. Tax Cuts and Jobs Act of 2017 (TCJA). But a legislative standstill seems unlikely, as a contentious U.S. election looming in late 2024 has teams on both sides of the political aisle readying tax reform proposals. Changes in global taxation are just as momentous: OECD Pillar 2 proposals have been enacted in dozens of countries, with more to follow. Understanding the effects of these new rules requires more analytical coordination than ever.

For tax and finance departments of multinational organizations to meet these coming challenges, they will need greater integration than ever across their data systems, analytical engines, and reporting capabilities. KPMG stands ready as your partner in navigating this extraordinary landscape with a powerful suite of tools to power tax provision, planning, and compliance.

KPMG can help

The **KPMG international tax reform analyzer (ITRA) and KPMG BEPS 2.0 Automation Technology (KBAT)**, which function both as MS Excel and cloud-based tools, allow for extensive modeling of international tax rules, including those introduced by the U.S. TCJA and OECD's Pillar 2, prior existing provisions, and current U.S. and Global tax reform proposals.

The ITRA and KBAT have helped nearly 1,000 companies gain increased visibility into their global tax profile from both U.S. and Global tax perspectives, identify the key drivers of their global ETR and reporting obligations, and assess what planning can be considered to potentially improve their tax position.

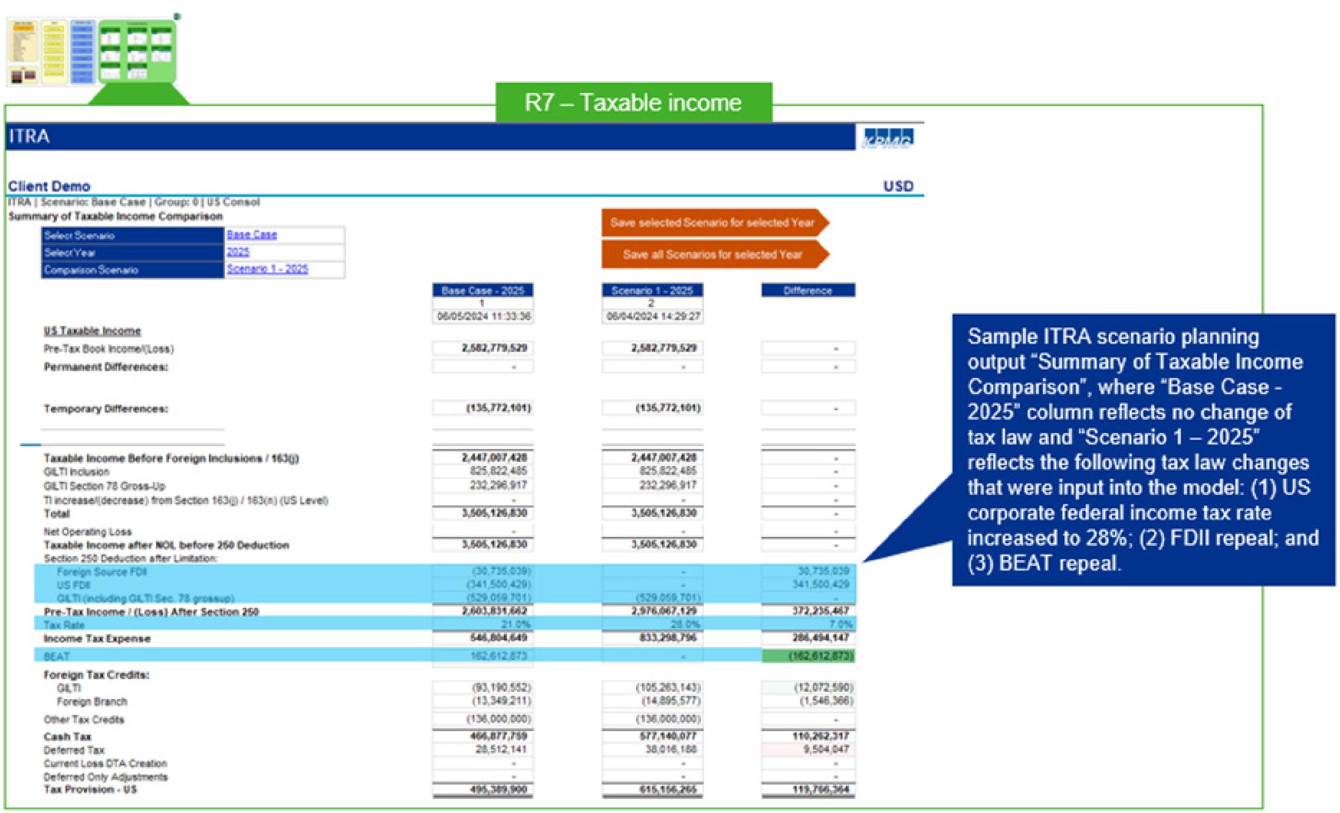
Tax reform proposals to evaluate

KPMG's Washington National Tax Policy and Legislative team has identified a number of areas that could be subject to change should further U.S. tax reform take place in the coming months. Multinational organizations should consider these when evaluating their future tax posture:

- Changes to US Federal Corporate Income Tax Rate
- Repeal of amortization of research and experimentation expense
- EBITDA restored as base for 163(j) interest limitation.
- 163(n) limitation from BBA reintroduced
- Bonus depreciation changes
- Changes to GILTI: Sec. 250 rate, country-by-country inclusion and FTC calculation, GILTI repeal
- Changes to FDII: Sec. 250 rate, FDII repeal
- Changes to BEAT: BEAT rate, use of GBCs, BEAT repeal
- Changes to CAMT: CAMT rate, CAMT repeal
- Changes to check-the-box regime
- Changes to GBCs: Limited repeal of Inflation Reduction Act credit rules
- Changes in CFC taxation: 954(c)(6) look-through expiration, Subpart F anti-roundtripping
- Miscellaneous changes: LIFO repeal, stock buyback excise rate change, limitation on excess compensation deduction
- US adoption of IIR
- US (non-)adoption of UTPR, US increased taxes against UTPR countries
- US adoption of QDMTT

ITRA's scenario planning capabilities

ITRA's powerful and dynamic scenario modeling includes incremental scenario planning within the same model, eliminating the need to continuously align "base case data" across scenarios or import new files.



Select Scenario	Base Case
Select Year	2025
Comparison Scenario	Scenario 1 - 2025

	Base Case - 2025	Scenario 1 - 2025	Difference
	1	2	
	06/05/2024 11:33:36	06/04/2024 14:29:27	
US Taxable Income			
Pre-Tax Book Income/(Loss)	2,582,779,529	2,582,779,529	-
Permanent Differences:	-	-	-
Temporary Differences:	(135,772,101)	(135,772,101)	-
Taxable Income Before Foreign Inclusions / 163(j)	2,447,007,428	2,447,007,428	-
GILTI Inclusion	825,822,485	825,822,485	-
GILTI Section 78 Gross-Up	232,296,917	232,296,917	-
TI increase/(decrease) from Section 163(j) / 163(n) (US Level)	-	-	-
Total	3,505,126,830	3,505,126,830	-
Net Operating Loss	-	-	-
Taxable Income after NOL before 250 Deduction	3,505,126,830	3,505,126,830	-
Section 250 Deduction after Limitation:			
Foreign Source FDII	(30,735,039)	-	30,735,039
US FDII	(341,500,429)	-	341,500,429
GILTI (including GILTI Sec. 78 grossup)	(529,059,701)	(529,059,701)	-
Pre-Tax Income / (Loss) After Section 250	2,603,831,662	2,976,067,129	372,235,467
Tax Rate	21.0%	28.0%	7.0%
Income Tax Expense	546,804,649	833,298,796	286,494,147
BEAT	162,612,873	-	(162,612,873)
Foreign Tax Credits:			
GILTI	(93,190,552)	(105,263,143)	(12,072,590)
Foreign Branch	(13,349,211)	(14,895,577)	(1,546,366)
Other Tax Credits	(136,000,000)	(136,000,000)	-
Cash Tax	466,877,759	577,140,077	110,262,317
Deferred Tax	28,512,141	38,016,188	9,504,047
Current Loss DTA Creation	-	-	-
Deferred Only Adjustments	-	-	-
Tax Provision - US	495,389,900	615,156,265	119,766,364

Sample ITRA scenario planning output "Summary of Taxable Income Comparison", where "Base Case - 2025" column reflects no change of tax law and "Scenario 1 – 2025" reflects the following tax law changes that were input into the model: (1) US corporate federal income tax rate increased to 28%; (2) FDII repeal; and (3) BEAT repeal.

ITRA's scope:

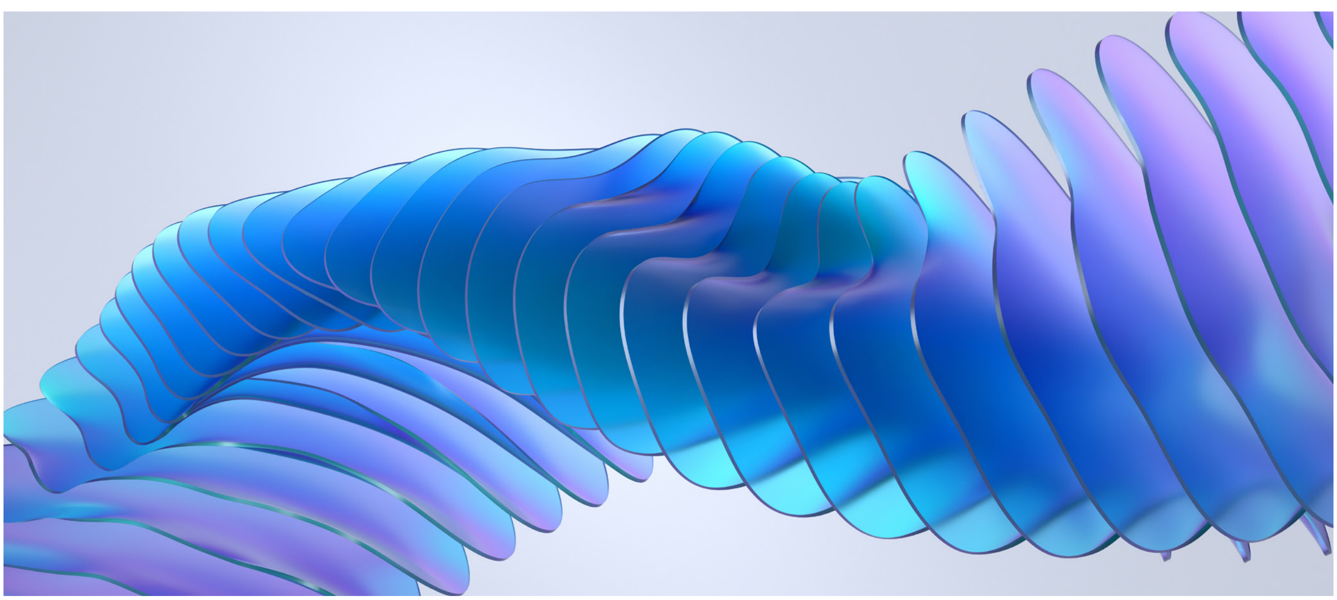
ITRA's functionality encompasses calculations at both the foreign entity and the U.S. shareholder levels, including the ability to help analyze how the impact of various tax focus areas may affect your global ETR—in both dollar and rate terms—and concisely summarizes your current tax posture, potential options for your tax profile, and the potential impact of proposed legislative changes.

Specifically, ITRA can be used to analyze a corporation's base case global tax profile across such areas as:

- Foreign tax planning and rate differential
- GILTI inclusion
- GILTI/FDII section 250 deduction
- GILTI high-tax exception (HTE) complexities, including ability to facilitate identification of tested units and ETR by tested unit, handle Treas. Reg. 1.861-8 enhanced expense apportionment methodologies, calculate CFC and qualified business unit level modified gross income, and automate disregarded reallocation transaction ordering per final GILTI regulations
- Subpart F inclusion
- Section 954(c)(6) look-thru analysis
- FTC utilization
- Section 163(j) limitation (U.S. and CFC)
- NOL utilization, including the interaction with Treas. Reg. 1.904-(g)(3)
- Base erosion anti-abuse tax (BEAT)
- Corporate alternative minimum tax (CAMT)

In addition, ITRA can help analyze the potential impact of various scenarios, including, among others:

- Planning scenarios in response to legislative proposals
- GILTI/proactive subpart F
- FTC planning
- GILTI/subpart F HTE analysis
- FDII planning
- BEAT planning
- Interest expense limitation planning
- Acquisition scenarios
- Disposition scenarios
- Intellectual property restructuring scenarios
- Entity/loan restructuring scenarios
- Local country tax planning



KPMG BEPS 2.0 Automation Technology's scope:

KPMG BEPS 2.0 Automation Technology is the KPMG International multiplatform tool (available in Excel and on the Cloud) that allows for both high-level and detailed modeling of OECD's BEPS 2.0 Pillar Two provisions, including safe harbor calculations. The tool provides multinational organizations the ability to model the latest tax technical updates, legislative changes, and regulatory guidance to support planning, provision, and compliance requirements.

The BEPS 2.0 Automation Technology supports each phase of planning and key features include the following:

- **Phase I:** Transitional safe harbor analysis and data scoping
  - CbCR process documentation, data sources and potential issues
  - Safe harbor planning
  - Preliminary safe harbor computations
- **Phase II:** Initial GloBE computations
  - GloBE computations presentation and report for selected in-scope jurisdictions
  - Initial list of material data adjustments needed to reach Global Anti-Base Erosion (GloBE) income reportable on return
- **Phase III:** Discovery/data mapping and gap analyses
  - Finalized Pillar Two data gap analysis for compliance with requisite source systems and data manipulation steps and priorities identified
  - Finalized tax compliance approach
- **Phase IV and V:** Planning, technology, and compliance
  - Implementation of Phase III data strategy and deployment of relevant technologies
  - Pillar Two related tax planning
  - Pillar Two compliance
  - Dry run of new tax process

Additional tax models on the KPMG Digital Gateway | Modeling Suite

The ITRA and KPMG BEPS 2.0 Automation Technology connect with other KPMG models on KPMG Digital Gateway, including:

- KPMG CAMT-AFSI Model
- KPMG PTEP Analyzer
- KPMG Section 987 Model

Powered by Microsoft Azure, KPMG Digital Gateway is a single platform cloud-based solution that gives you access to the full suite of KPMG Tax technologies built to support you and your tax department in all aspects of tax and financial reporting, strategic planning, compliance transformation, data and asset management and more.

Contact us:

To learn more about using KPMG International Tax tools for tax reform modeling and scenario planning, contact your local KPMG adviser or one of the following professionals:

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