Provision	Description	Score
Reform Business and International Taxation		
Raise the Corporate Income Tax Rate to 28%	The proposal would raise the corporate tax rate from 21% to 28%. Prior to the Tax Cuts and Jobs Act (TCJA, P.L.115-97), the corporate tax rate was 35%. **Comparison to FY22:** no substantive changes. **Effective Date:** for taxable years beginning after Dec. 31, 2022 (with a transition rule for fiscal year taxpayers).	The proposal would raise $1.31 trillion
Replace the Base Erosion Anti-Abuse Tax (BEAT) with the Under Taxed Profits Rule (UTPR)	The proposal would repeal the BEAT and replace it with a UTPR that is consistent with the OECD Pillar Two Model Rules. In addition, the proposal would provide that when another jurisdiction adopts a UTPR, a domestic minimum top-up tax would apply to protect the U.S. tax base. The proposal would also ensure that U.S. taxpayers would continue to benefit from U.S. tax credits and other tax incentives that promote U.S. jobs and investment. The UTPR would apply to financial reporting groups with global revenue of $850 million or more. **Comparison to FY 2022:** this proposal is new. **Effective Date:** for tax years beginning after Dec. 31, 2023.	The proposal would raise $239.46 billion.
Provide Tax Incentives for Locating Jobs and Business Activity in the United States and Remove Tax Deductions for Shipping Jobs Overseas	The proposal would create a new general business credit equal to 10% of the eligible expenses paid or incurred in connection with onshoring a U.S. trade or business. Onshoring means reducing or eliminating a trade or business currently conducted outside the United States and starting up, expanding or moving the trade or business to the United States, to the extent this results in an increase in United States jobs. Under the proposal, the Treasury Department would reimburse territories such as Puerto Rico and the U.S. Virgin Islands, if they implement substantially similar proposals. The cost of this proposal would be offset by disallowing deductions for expenses paid or incurred in connection with offshoring a U.S. trade or business, to the extent this results in a loss of U.S. jobs. In addition, no deduction would be allowed against a U.S. shareholder's GILTI or subpart F income for any expenses paid or incurred in moving the trade or business out of the United States. **Comparison to FY22:** no substantive changes. **Effective Date:** expenses paid or incurred after date of enactment.	The onshoring tax credit proposal would cost $149 million. The disallowance of offshoring expense deductions would raise $149 million.
Prevent Basis Shifting by Related Parties Through Partnerships	Currently, related parties in a partnership are able to use a section 754 election in certain circumstances to shift basis between the partners and achieve tax savings for the partners as a group, without meaningful changes to the partners' economic arrangement. The proposal would address this issue, in the case of a distribution of partnership property that results in a step-up of the basis of the partnership's non-distributed property through a section 754 election, by applying a matching rule that prohibits any partner that is related to the distributee-partner from benefitting from the	The proposal would raise $61.74 billion.

	partnership's basis step-up until the distributee-partner disposes of the distributed property in a taxable transaction. **Comparison to FY22:** the proposal is new. **Effective Date:** for partnership taxable years beginning after Dec. 31, 2022.	
Conform Definition of "Control" with Corporate Affiliation Test	The proposal would conform the control test under section 368(c) to the affiliation test under section 1504(a)(2), so that control would be defined as ownership of at least 80% of the total voting power and at least 80% of the total value of stock of a corporation. Under current section 368(c), the test for control of a corporation requires ownership of at least 80% of the total voting power of all classes of voting stock and at least 80% ownership of each class of nonvoting stock. Unlike the section 1504(a)(2) test, the section 368(c) test has no value component, which creates the potential for manipulation of the test to achieve (or sometimes avoid) tax-free treatment on certain corporate transactions. **Comparison to FY22:** the proposal is new. **Effective Date:** for transactions occurring after Dec. 31, 2022.	The proposal would raise $11.18 billion.
Expand Access to Retroactive Qualified Electing Fund Elections	Currently, a taxpayer is permitted to make a retroactive Qualified Electing Fund ("QEF") election with respect to a passive foreign investment company ("PFIC") with the consent of the IRS Commissioner only if (1) the taxpayer relied on a qualified tax professional (e.g., CPA) in failing to make a timely election, (2) granting consent does not prejudice the interests of the government, and (3) the request is made before a PFIC issue is raised on audit. The proposal would modify section 1295(b)(2) to allow a QEF election more broadly by the taxpayer at such time and in such manner as prescribed by regulations. **Comparison to FY22:** the proposal is new. **Effective Date:** on the date of enactment, but intended that regulations would permit taxpayers to amend previously filed returns for open years.	The proposal would raise $39 million.
Expand the Definition of Foreign Business Entity to Include Taxable Units	The proposal would treat any taxable unit in a foreign jurisdiction as a "foreign business entity" for purposes of section 6038 reporting rules. As a result, an entity operating in multiple jurisdictions would be treated as a separate "foreign business entity" in each jurisdiction, and the section 6038 reporting rules would be applied separately for each foreign business entity. The proposal also would provide that, except as otherwise provided by the Treasury Secretary, the accounting period for a taxable unit that is a branch or disregarded entity is the annual accounting period of its owner. **Comparison to FY22:** the proposal is new. **Effective Date:** for taxable years of a controlling U.S. person that begin after Dec. 31, 2022, and to annual accounting periods of	The proposal would raise $1.76 billion.

	foreign business entities that end with or are within such taxable years of the controlling U.S. person.	
Support Housing and Urban Development		
Make Permanent the New Markets Tax Credit	The proposal would permanently expand the New Markets Tax Credit (NMTC), with a new allocation for each year following 2025. These annual allotments would be $5 billion, indexed for inflation after 2026. NMTC is an up-to-39% tax credit for qualified equity investments (QEIs) made to acquire stock in a corporation, or a capital interest in a partnership, which is a qualified community development entity (CDE). The investment must be held for a period of at least seven years and must have been made within five years after the CDE receives an allocation out of the national credit limitation amount for the year. The CDEs in turn make investments in low-income communities. **Comparison to FY22:** no substantive changes. **Effective Date:** after the date of enactment.	The proposal would cost $5.46 billion.
Allow Selective Basis Boosts for Bond-Financed Low-Income Housing Credit (LIHTC) Projects	The proposal would enable housing credit agencies (HCAs) to award certain "basis boosts"—an increased subsidy from computing LIHTCs based on a heightened actual depreciable basis—for Qualified Private Activity Bond (PAB)-financed buildings. The HCA would designate the PAB-financed building as requiring an increase in credit to be financially feasible as part of a qualified low-income housing project, and the building would receive a basis boost as if within such area eligible for a boost regardless of where it is located. This is comparable to the current basis boost available for other non-PAB-financed buildings receiving LIHTCs. **Comparison to FY22:** the proposal is new. **Effective Date:** for buildings financed by PABs issued following the date of enactment.	The proposal would cost $7.87 billion.
Modify Fossil Fuel Taxation		
Repeal Enhanced Oil Recovery Credit	The proposal would repeal the 15% credit for costs attributable to enhanced oil recovery projects. **Comparison to FY22:** no substantive changes. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would raise $1.57 billion.
Repeal Credit for Oil and Gas Produced from Marginal Wells	The proposal would repeal the credit for oil and natural gas that is sourced from certain low-production or "marginal" wells. **Comparison to FY22:** no substantive changes. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would raise $1.92 billion.
Repeal Expensing of Intangible Drilling Costs	The proposal would repeal the expensing of intangible drillings costs, presumably requiring companies to recover such cost over a 60-month period. **Comparison to FY22:** no substantive changes. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would raise $10.74 billion.

Repeal Deduction for Tertiary Injectants	The proposal would repeal the deduction for tertiary injection expenses, presumably requiring such expenses to be capitalized. **Comparison to FY22:** no substantive changes. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would be included in the repeal of the enhanced oil recovery credit.
Repeal Exemption to Passive Loss Limitation for Working Interests in Oil and Natural Gas	The proposal would repeal the exception under the passive-loss rules for working interests in oil and natural gas properties. If enacted, the general passive-activity rules would require suspended losses to be carried forward and applied to future passive-activity income or claimed in full when the taxpayer disposes of the property. **Comparison to FY22:** no substantive changes. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would raise $83 million.
Repeal Percentage Depletion for Oil and Natural Gas Wells	The proposal would repeal the use of percentage depletion with respect to oil and gas wells, presumably requiring the taxpayer to use the cost-depletion method, which cannot exceed the basis of the property. **Comparison to FY22:** no substantive changes. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would raise $13.01 billion.
Increase Geological and Geophysical Amortization Period for Independent Producer	The proposal would repeal the two-year amortization period for geological and geophysical expenditures incurred by independent producers, presumably requiring such costs to be amortized over the seven-year period permitted for integrated oil and gas producers under current law. **Comparison to FY22:** no substantive changes. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would raise $10.23 billion.
Repeal Expensing of Exploration and Development Costs	The proposal would repeal expensing of exploration and development costs pertaining to domestic ore and mineral deposits as well as coal and other hard mineral fossil fuel deposits. The proposal is unclear whether taxpayers would be required to apply the alternative method, in the absence of current expensing, and deduct the costs ratably as the minerals or ores produced from the deposit are sold. **Comparison to FY22:** no substantive changes. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would raise $932 million.
Repeal Percentage Depletion for Hard Mineral Fossil Fuels	The proposal would repeal the use of percentage depletion with respect to coal and other hard-mineral fossil-fuel properties, presumably requiring the taxpayer to use the cost-depletion method and recover basis in proportion to the exhaustion of the property during the year. **Comparison to FY22:** no substantive changes. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would raise $2.30 billion.

Repeal Capital Gains Treatment for Royalties	The proposal would repeal capital gains treatment for royalties received on the disposition of coal or lignite, presumably requiring the taxpayer to treat such royalties as ordinary income. **Comparison to FY22:** no substantive changes. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would raise $595 million.
Repeal the Exemption from the Corporation Income Tax for Fossil Fuel Publicly Traded Partnerships.	The proposal would repeal the exemption from corporate tax for partnerships that derive at least 90% of their gross income from depletable natural resources, real estate, or commodities—taxing them as partnerships instead. **Comparison to FY22:** no substantive changes. **Effective Date:** for taxable years beginning after Dec. 31, 2027.	The proposal would raise $1.02 billion.
Repeal Excise Tax Exemption for Crude Oil Derived from Bitumen and Kerogen-Rich Rock	The proposal would repeal the Oil Spill Liability Trust Fund (OSLTF) excise tax exemption of $0.09/barrel for crude oil derived from Bitumen and Kerogen-Rich Rock (i.e., shale oil and tar sands). **Comparison to FY22:** no substantive changes. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would raise $404 million.
Repeal Accelerated Amortization of Air Pollution Control Equipment	The proposal would repeal the 60- and 84-month amortization ($0.232 per dollar of capital costs) of pollution-control equipment, presumably requiring taxpayers to depreciate such facilities over 39 years as nonresidential real estate. **Comparison to FY22:** no substantive changes. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would raise $791 million.
Modify Oil Spill Liability Trust Fund (OSLTF) and Superfund Excise Taxes	The proposal would eliminate drawbacks and refunds of the OSLTF tax when products subject to this tax are exported, as well as the tax exemption for crude oil derived from bitumen and kerogen-rich rock. **Comparison to FY22:** the following key changes were made to the FY2022 proposal. - The Infrastructure Investment and Jobs Act reinstated and effectively doubled Superfund excise taxes imposed on certain hazardous chemicals, and expanded the number of substances subject to the tax (effective July 1, 2022). - Major changes also hinge on the Build Back Better Act, which the budget assumes to be enacted, thereby reinstating the superfund excise taxes imposed on crude oil and increasing the tax rate from 9.7 cents per barrel to 16.4 cents per barrel. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would raise $1.57 billion.
Strengthen Taxation of High-Income Taxpayers		

Increase the Top Marginal Tax Rate for High Earners	The proposal would increase the top income tax rate from 37% to the pre-TCJA rate of 39.6%, applied to taxable income in excess of the 2017 top bracket threshold, adjusted for inflation using the C-CPI-U. For 2023, the top marginal tax rate would apply to taxable income over $450,000 for married individuals filing a joint return, $400,000 for unmarried individuals (other than surviving spouses), $425,000 for head of household filers, and $225,000 for married individuals filing a separate return. The increase would raise the federal budget by $186,809 million. **Comparison to FY 2022:** no substantive changes. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would raise $186.81 billion.
Reform the Taxation of Capital Income	The proposal would eliminate preferential tax rates for long-term capital gains and qualified dividends for taxpayers earning over $1 million, increasing the rate to 40.8% when taking into account the net investment income tax. **Comparison to FY22:** no substantive changes. **Effective Date:** for gains required to be recognized after the announcement date. The proposal would treat transfers of appreciated property by gift or death as realization events. A transfer would be defined under the gift and estate tax provisions and would be valued at the value used for gift or estate purposes. Certain exclusions would apply: Transfers by a decedent to a U.S. spouse or charity would carry over the basis of the decedent. Exclusions also exist for household furnishings and personal effects (except collectibles); the $250,000 per person gain on the principle residence would continue to apply ($500,000 per couple), as well as an exclusion for certain small business stock. In addition, it would allow a lifetime per donor exclusion of $5 million from recognition of other unrealized capital gains on property transferred by gift. **Comparison to FY22:** no substantive changes. **Effective Date:** for gains on property transferred by gift, and on property owned at death by decedents dying after Dec. 31, 2022, and on certain property owned by trusts, partnerships and other non-corporate entities on Jan. 1, 2023.	The proposal would raise $174.49 billion.
Impose a Minimum Income Tax on the Wealthiest Taxpayers	The proposal would impose an annual minimum tax on income, including unrealized capital gains, greater than $100 million. The computation would be 20% times the sum of taxable income and unrealized gains of the taxpayer, *less* the sum of the taxpayer's unrefunded, uncredited prepayments and regular tax. Taxpayers subject to the tax would be required to annually break out the total basis and total estimated value of their assets in each specified asset class. Taxpayers whose wealth consists of less than 20% tradable assets ("illiquid" taxpayers) may elect to include only unrealized gain in tradable assets in the calculation of their minimum tax liability.	The proposal would raise $360.84 billion.

	Comparison to FY22: the proposal is new. **Effective Date**: for tax years beginning after Dec. 31, 2022.	
Support Families and Students		
Make Adoption Tax Credit Refundable and Allow Certain Guardianship Arrangements to Qualify	The proposal would make the adoption credit fully refundable, allow unused credits from earlier adoptions to be carried forward on 2023 tax returns, and allow families entering into a guardianship arrangement with a child to claim the credit for expenses related to establishing the guardianship relationship. Requirements for guardianship arrangement includes: • The relationship must be established by court order; • The relationship must not be with one's own child or stepchild (as is the case with the adoption credit); • The guardian and the child must meet a residency requirement; and • The child must be under 18 at the time the relationship was established. **Comparison to FY22:** the proposal is new. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would cost $10.49 billion.
Provide Income Exclusion for Student Debt Relief	The provision would make permanent the American Rescue Plan Act's (ARPA) exception to the treatment of discharged loan amounts as gross income for certain qualifying student debt that is discharged after Dec. 31, 2020, and before Jan. 1, 2026. As a result, forgiven or discharged student loan debt from qualified student loans will be excluded from gross income and therefore not subject to tax. **Comparison to FY22:** the proposal is new. **Effective Date:** on the date of enactment.	The proposal would cost $1.29 billion.
Modify Estate and Gift Taxation		
Modify Income, Estate and Gift Tax Rules for Certain Grantor Trusts	The proposal would limit the ability of a taxpayer to use a Grantor Retained Annuity Trust ("GRAT") or sell assets to the taxpayer's grantor trust to remove significant value from the taxpayer's gross estate for federal estate tax purposes without federal income or gift tax consequences. With respect to GRATs, the proposal: • Requires that the remainder interest in a GRAT at the time the interest is created have a minimum value for gift tax purposes equal to the greater of 25% of the value of the assets transferred to the GRAT or $500,000 (but not more than the value of the assets transferred). • Prohibits any decrease in the annuity during the GRAT term. • Prohibits the grantor from acquiring in an exchange an asset held in the trust without recognizing gain or loss for income tax purposes. • Requires that a GRAT have a minimum term of 10 years and a maximum term of the life expectancy of the annuitant plus 10 years.	The proposal would raise $41.53 billion over 10 years.

	With respect to trusts that are not fully revocable by the deemed owner, the proposal: • Requires the transfer of an asset for consideration between a grantor trust and its deemed owner or any other person to be treated as one that is regarded for income tax purposes. • Requires such regarded transfers to include sales as well as the satisfaction of an obligation (such as an annuity or unitrust payment) with appreciated property. • Requires a seller to recognize gain on any appreciation in the transferred asset and the basis of the transferred asset in the hands of the buyer being the value of the asset at the time of the transfer. • Requires that regarded transfers include sales as well as the satisfaction of an obligation (such as an annuity or unitrust payment) with appreciated property. • Provides that securitization transactions are not subject to this new provision. The proposal also treats the payment of the income tax on the income of a grantor trust as a gift, which occurs on the earlier of (i) Dec. 31 of the year in which the income tax is paid or (ii) immediately before the owner's death, or on the owner's renunciation of any reimbursement right for that year) unless the deemed owner is reimbursed by the trust during that same year. The amount of the gift is equal to the unreimbursed amount of the income tax paid **Comparison to FY22:** the proposal is new. **Effective Date**: The GRAT portion applies to all trusts created on or after the date of enactment. The gain recognition portion applies to all transactions between a grantor trust and its deemed owner occurring on or after the date of enactment. The portion of the proposal characterizing the grantor's payment of income taxes as a gift applies to all trusts created on or after the date of enactment. Legislative language is expected to appropriately detail the particular types of transactions to which the new rule does not apply.	
Require Consistent Valuation of Promissory Notes	The proposal prevents a deceased taxpayer's estate from taking a tax position regarding the valuation of an unpaid below-market loan for federal estate tax purposes that is inconsistent from the tax position taken while the taxpayer was alive. In light of the past decade's low interest rate environment, the use of below-market loans and the ability for these inconsistent tax positions has become a popular tax planning technique to reduce gift and estate taxes. Specifically, the proposal requires the tax positions taken before and after a taxpayer's death to be consistent, by requiring any below-market loan, which had been treated by the taxpayer while alive	The proposal would raise $6.36 billion over 10 years.

	either (i) as having a sufficient rate of interest to avoid the treatment of any foregone interest on the loan as income or (ii) as a gift, to be valued for federal gift and estate tax purposes by limiting the discount rate to the greater of the actual rate of interest of the note, or the applicable minimum interest rate for the remaining term of the note on the date of the taxpayer's death. The proposal requires regulations to describe exceptions to account for any difference between the applicable minimum interest rate at the issuance of the note and actual interest rate of the note. The proposal requires that the note would be treated as a short-term note regardless of the due date, but term loans would be valued as demand loans if there is a reasonable likelihood that the note will be satisfied sooner than the specified payment date and in other situations as determined by the Secretary. **Comparison to FY22:** This proposal is new. **Effective Date**: Applies to valuations as of a valuation date on or after the date of introduction.	
Improve Tax Administration for Trusts and Decedents' Estates	The proposal includes a number of improvements aimed at facilitating trust and estate tax administration. <u>Definition of Executor</u>. The proposal expands the definition of "executor" so that it applies for all tax purposes, not solely for estate tax purposes and authorizes the Secretary to promulgate rules to resolve any conflicts in situations where there may be multiple authorized executors. **Comparison to FY22:** the proposal is new. **Effective Date**: effective upon enactment, regardless of a decedent's date of death. <u>Limit on the Reduction in Value of Special Use Property</u>. The purpose of the proposal is to reduce the fair market value of real property for estate tax purposes, which is based on the property's "highest and best use," in order to help preserve the property's current use (such as for a family farm) by reflecting the increase in real property values since 1997. Accordingly, the proposal increases the cap on the maximum valuation decrease for "qualified real property" elected to be treated as special use property to $11.7 million. Such property generally includes family farms, ranches, timberland and similar enterprises. **Comparison to FY22:** the proposal is new. **Effective Date**: Effective for the estates of decedents who die on or after the date of enactment. <u>10-Year Period for Certain Estate and Gift Tax Liens</u>. The proposal extends the duration of the automatic lien beyond the current, unextendible 10-year period to allow the lien to continue for the duration of any deferral or installment period for unpaid estate and gift taxes that a taxpayer may negotiate with the IRS and is longer than 10 years.	The proposal would cost $326 million over 10 years.

	Comparison to FY22: the proposal is new. **Effective Date**: effective for 10-year liens in effect on the date of enactment and for the automatic lien on gifts made and the estates of decedents dying on or after the date of enactment. <u>Reporting of Estimated Total Value of Trust Assets</u>: In order to collect statistical data on the magnitude of wealth held in domestic trusts for various tax administration purposes and to assist with development of tax policies, the proposal requires trusts, whether domestic or foreign, that are administered in the U.S. and whose estimated total value on the last day of the taxable year exceeds $300,000 or whose gross income for the taxable year exceeds $10,000 to annually report the estimated total value of trust assets. The Secretary is authorized to determine the manner of reporting and the information to be collected. **Comparison to FY22:** the proposal is new. **Effective Date**: taxable years ending after the date of enactment.	
Limit Duration of Generation-Skipping Transfer Tax Exemption	Currently, the generation-skipping transfer (GST) tax is imposed on gifts and bequests by an individual transferor to transferees who are two or more generations younger than the transferor. Each individual has a lifetime GST tax exemption ($12.06 million in 2022) that can be allocated to transfers made, whether directly or in trust, by that individual to a grandchild or other "skip person." The allocation of GST exemption to a transfer or to a trust excludes from the GST tax not only the amount of assets to which GST exemption is allocated, but also all subsequent appreciation and income on that amount during the existence of the trust. However, while property remains in trust, no estate tax is imposed when any trust beneficiary dies and, instead, the value enters the gift and estate tax base only when the trust is terminated. Many states have either limited or no longer apply the common law known as the Rule Against Perpetuities to trusts and, as a result, a trust created under such state law could continue for such a long time as to be perpetual, with the result that the property in trust has been permanently removed from the estate and gift tax base. The purpose of the proposal is to limit this result and to cause trust property to become subject to taxation at some point. To do this, the proposal: • Applies the GST exemption only to: (i) direct skips and taxable distributions to beneficiaries no more than two generations below the transferor, and to younger generation beneficiaries who were alive at the creation of the trust; and (ii) taxable terminations occurring while any person described in clause (i) is a beneficiary of the trust. • Modifies section 2653, which "resets" the generation assignment of trust beneficiaries once the GST tax has been imposed, so that it does not apply for this purpose.	The proposal has no revenue effect.

	• Subjects each such separate trust, which is created from contributions by different grantors, to the same rule for the duration of the exemption, measured from the date of the first contribution by the grantor of that separate trust. • Solely for purposes of determining the duration of the GST exemption, deems that a pre-enactment trust has been created on the date of enactment. • Authorizes the Secretary to facilitate the implementation and administration of this provision. **Comparison to FY22:** the proposal is new. **Effective Date:** effective on and after the date of enactment to all trusts subject to the generation-skipping transfer tax, regardless of the trust's inclusion ratio on the date of enactment.	
Close Loopholes		
Tax Carried (Profits) Interest as Ordinary Income	The proposal would eliminate preferential tax rates for income from profits interests in investment partnerships held by a service providers, requiring such partners to pay ordinary income tax rates on partnership income from all sources in excess of $400,000. Under carried interest, the share of profits for private equity and hedge fund managers is typically subject to a lower tax rate of 20%. The proposal would also require partners to pay self-employment (FICA) taxes on the partner's share of income on such an "investment services partnership interest" (ISPI). The proposal would implement and authorize anti-abuse rules to prevent use of alternative compensatory arrangements or designs intended to avoid the tax. The proposal would not affect REIT qualification. **Comparison to FY22:** no substantive changes. **Effective Date:** repeals IRC §1061 for taxpayers with taxable income in excess of $400,000 for taxable years after Dec. 31, 2022.	The proposal would raise $6.64 billion.
Repeal Deferral of Gain from Like-Kind Exchanges	The proposal would eliminate the ability to defer taxation on real property investment gains greater than $500,000, or $1 million in the case of married individuals filing a joint return. The proposal would eliminate "like kind exchanges" under section 1031, which currently allow investors to roll proceeds from a real estate sale into a future purchase without paying capital gains taxes on profits. **Comparison to FY22:** no substantive changes. **Effective Date:** for exchanges completed in taxable years beginning after Dec. 31, 2022.	The proposal would raise $19.55 billion.
Require 100% Recapture of Depreciation Deductions as Ordinary	Currently, taxpayers generally recognize gain or loss upon the disposition of an asset used in a trade or business. When a taxpayer recognizes gain from the disposition of certain property used in a trade or business, that gain is subject to recapture mechanisms against the depreciation deduction that the taxpayer had previously	The proposal would raise $6.32 billion.

Income for Certain Depreciable Real Property	recorded. Such qualifying property, known as "section 1245 property" (which among other property includes intangible depreciable property) and "section 1250 property" (which includes buildings and certain other real property), is subject to depreciation recapture of *up to* 100%. The proposal would require depreciation deductions taken on section 1250 property to be subject to the recapture rules as ordinary income. The proposal would not apply to noncorporate taxpayers with AGI below $400,000. **Comparison to FY22:** this proposal is new. **Effective Date**: The proposal would be effective for depreciation deductions taken on section 1250 property in taxable years beginning after Dec. 31, 2022, and sales, exchanges, involuntary conversions or other dispositions of section 1250 property completed in taxable years beginning after Dec. 31, 2022.	
Limit a Partner's Deduction in Certain Syndicated Conservation Easement Transactions	The proposal would provide that a contribution by a partnership is not treated as a qualified conservation contribution (which results in no deduction) if the amount of the contribution exceeds two and a half times the sum of each partner's relevant basis. The rule would not apply if a three-year holding period requirement is met. **Comparison to FY22:** the proposal is new. **Effective Date:** The proposal is effective for contributions made in tax years ending after Dec. 23, 2016, and for contributions to preserve certified historic structures, contributions made in tax years beginning after Dec. 31, 2018.	The proposal would raise $18.65 billion.
Limit Use of Donor-Advised Funds to Avoid Private Foundation Payout Requirement	Private foundations are required to annually distribute at least 5% of the total fair market value of their non-charitable use assets from the preceding tax year. Currently, a contribution to a donor-advised fund (DAF) would be a qualifying distribution, and there is no requirement that funds held by DAFs be distributed within a set period of time. The proposal would provide that a distribution by a private foundation to a DAF is a qualifying distribution only if (a) the DAF funds are expended as a qualifying distribution by the end of the following tax year and (b) the private foundation maintains adequate records or other evidence showing that the DAF has made a qualifying distribution within the required time frame. **Comparison to FY22:** the proposal is new. **Effective Date:** after the date of enactment.	The proposal would raise $64 million.
Extend the Period for Assessment of Tax for Certain Qualified	Under current law, if a taxpayer elects to defer eligible gains from investments in a Qualified Opportunity Fund (QOF), the gains are excluded from the taxpayer's income until the year in which the gain is realized. This gain may be deferred until Dec. 31, 2026, or the earlier date on which there is an inclusion event. Inclusion events prior to Dec. 31, 2026, may not be readily identifiable on the	The proposal would raise $95 million.

Opportunity Fund Investors	taxpayer's return. As a result, the IRS may be barred from assessing a deficiency arising from the early inclusion event due to the three-year statute of limitation for the IRS to assess a tax after a return has been filed. The proposal would extend the statute of limitations for the IRS to assess a deficiency in any tax if a taxpayer fails to properly include deferred gain in gross income and there is a tax deficiency that directly or indirectly results from this. Specifically, the IRS would have three years after the date on which it is furnished with all the information it needs to assess deficiencies. **Comparison to FY22:** the proposal is new. **Effective Date:** for inclusions of deferred gains with respect to which deferral elections had been based on QOF investments after Dec. 22, 2017 (the date of enactment of the Tax Cuts and Jobs Act of 2017). However, the proposal would not apply in situations where the statute of limitations for assessment has expired before the date of enactment.	
Establish an Untaxed Income Account (UIA) Regime for Certain Small Insurance Companies	The proposal seeks to curtail abuse of the IRC section 831(b) election by taxing deemed distributions from the untaxed income of certain electing insurance companies at the highest corporate tax rate plus a penalty tax rate of 10%. Deemed distributions include shareholder distributions, share repurchases and any payments that are not ordinary and necessary costs incurred in the conduct of an insurance business. Deemed distributions are limited to the amount in the electing taxpayer's UIA, which is defined as the taxable income (or net operating loss) of the company as if it had not made the IRC section 831(b) election but without regard to the net operating loss deduction carrybacks and carryovers, less the company's taxable investment income or loss. **Comparison to FY22:** the proposal is new. **Effective Date:** applicable to distributions, sales and other transactions that occur in taxable years beginning after Dec. 31, 2022.	The proposal would raise $9.56 billion.
Expand Pro Rata Interest Expense Disallowance for Business-Owned Life Insurance	The proposal further limits the tax advantages of business-owned life insurance and would repeal the exception from the pro rata interest expense disallowance rule for policies covering employees, officers and directors while retaining the exception for contracts covering a 20% business owner. **Comparison to FY22:** the proposal is new. **Effective Date:** The proposal would be effective for contracts issued or materially changed in taxable years after Dec. 31, 2021.	The proposal would raise $6.82 billion.

Correct Drafting Errors in the Taxation of Insurance Companies Under the Tax Cuts and Jobs Act of 2017 (TCJA)	The proposal addresses two separate TCJA drafting issues in provisions affecting the taxation of insurance companies. The first provision changes the IRC section 848 capitalization rate for group life insurance to 2.45% and the capitalization rate for all other non-annuity specified life and health contracts to 9.2%. The change is to be treated as a change of accounting method initiated by the taxpayer with the consent of the IRS for the taxable year beginning in 2022. The second provision specifically includes international and nonproportional reinsurance lines of business in the list of long-tailed lines of business resulting in the deeper discounting of unpaid loss reserves for these lines of business. **Comparison to FY22:** the proposal is new. **Effective Date:** the change to the capitalization rate is effective as if the provision was included in the TCJA while the change to the discounting of unpaid losses is effective for taxable years beginning after Dec. 31, 2022.	The proposal would raise $787 million.
Define the Term "Ultimate Purchaser" for Purposes of Diesel Fuel Exportation	The proposal would define the person entitled to a rebate of federal excise taxes as the last purchaser in the United States for the purposes of diesel fuel and kerosene exportation. **Comparison to FY22:** no substantive changes. **Effective Date:** effective for diesel fuel and kerosene exported after Dec. 31, 2022.	The proposal would raise $139 million.
Improve Tax Administration and Compliance		
Enhance Accuracy of Tax Information	The proposal would expand the Secretary's authority to require electronic filing for forms and returns, which would allow tax return information to be provided to the IRS in a more uniform electronic format. This would enhance the IRS's ability to better target its audit activities. Examples of returns that would be required to be filed electronically include individual returns (income, estate, gift) with assets or gross income of $400,000 or more; partnership and corporate returns with assets or income of more than $10 million; returns of all insurance companies; and REITS, REMICS and RICs. For reportable payments subject to backup withholding, the proposal would permit the IRS to require payees to furnish their TINs to payors under penalty of perjury. **Comparison to FY22:** no substantive changes. **Effective Date:** for payments made after Dec. 31, 2022.	The proposal would raise $1.91 billion.
Address Taxpayer Noncompliance with Listed Transactions	The proposal would double the statute of limitations period for returns reporting benefits from listed transactions under section 6501(a) from three years to six years. For listed transactions under section 6501(c)(10), the limitations period would be increased from one year to three years. **Comparison to FY22:** no substantive changes.	The proposal would raise $5.85 billion.

	Effective Date: date of enactment. The proposal also would impose secondary liability on shareholders who sell the stock of an “applicable C corporation” for payment of such corporation’s income taxes, interest, additions to tax and penalties, to the extent of the sales proceeds received by the shareholders. The proposal would only apply to shareholders who dispose of a controlling interest in stock (more than 50%) in exchange for consideration other than stock issued by the acquirer. The secondary liability would arise only if the applicable C corporation failed to pay amounts within 180 days of assessment. The proposal would not apply to dispositions of controlling interests in corporations or REITs whose shares are traded on an established U.S. securities market; to RICs whose shares are offered to the public; or to an acquirer whose stock or securities are publicly traded in an established U.S. market or is consolidated with such a public issuer. **Comparison to FY22:** no substantive changes. **Effective Date**: for sales of controlling interests in the stock of applicable C corporations on or after April 10, 2014.	
Amend the Centralized Partnership Audit Regime to Permit the Carryover of a Reduction in Tax that Exceeds a Partner’s Tax Liability	The proposal would amend sections 6226 and 6401 (centralized partnership audit regime) such that any net negative changes in tax that exceed the income tax liability of a partner in the reporting year is considered an overpayment and may be refunded. **Comparison to FY22:** no substantive changes. **Effective Date**: date of enactment.	The proposal would cost $60 million.
Incorporate Chapters 2/2A in Centralized Partnership Audit Regime Proceedings	The proposal would amend the definition of a centralized partnership audit adjustment to include self-employment taxes (Chapter 2) and net investment income taxes (Chapter 2A), which would expand the definition beyond income taxes (Chapter 1) as under current law. The tax on any Chapter 2/2A adjustment items included in a partnership audit would be determined by applying the highest rate of tax in effect in the review year under section 1401 or 1411, as applicable. **Comparison to FY22:** the proposal is new. **Effective Date**: after the date of enactment for all open taxable years.	The proposal would have a negligible revenue effect.
Authorize Limited Sharing of Business Tax Return	The proposal would provide officers and employees of the Bureau of Economic Analysis (BEA) with access to federal tax information (FTI) for sole proprietorships with receipts greater than $250,000 and of all partnerships. The proposal also would give officers and employees of the Bureau of Labor Statistics (BLS) access to certain	The proposal would have no revenue effect.

Information to Measure the Economy More Accurately	business FTI. This would allow BEA, BLS and the Census Bureau to have access to FTI for businesses and allow the agencies to share information among themselves to provide improved economic statistics. **Comparison to FY22:** no substantive changes. **Effective Date:** date of enactment.	
Impose an Affirmative Requirement to Disclose a Position Contrary to a Regulation	The proposal would impose an affirmative requirement on taxpayers to disclose a position on a return that is contrary to a regulation. Taxpayers who fail to make the required disclosure would be assessed a penalty of 75% of the decrease in tax shown on the return as a result of the position even if the taxpayer's interpretation of the regulation ultimately prevails. Penalties may not be less than $10,000 and may not exceed $200,000. Penalty relief would be available for failures to disclose due to reasonable cause and not willful neglect. **Comparison to FY22:** the proposal is new. **Effective Date:** for returns filed after the date of enactment.	The proposal would raise $116 million.
Require Employers to Withhold Tax on Failed Nonqualified Deferred Compensation Plans	Section 409A imposes election and distribution timing requirements on nonqualified deferred compensation arrangements ("NQDC plans"). An NQDC plan is broadly defined as any arrangement under which a service provider (e.g., an employee) has a legally binding right to compensation that (i) has not been actually or constructively received in gross income during that year and (ii) pursuant to the terms of the NQDC plan, is payable to or on behalf of the service provider in a future taxable year. If an NQDC plan complies with section 409A, the service provider does not recognize income or owe taxes on the compensation payable under the NQDC plan until the compensation is received. The consequences for failing to comply with the applicable requirements of section 409A include: (i) the inclusion of the compensation in the service provider's current federal taxable income (even if not yet payable under the terms of the NQDC plan), (ii) the imposition of an additional 20% federal income tax on such amount (i.e., marginal federal income tax rate plus 20%), (iii) additional interest (based on the IRS underpayment rate plus 1%) and penalties for any failure by the service provider to timely remit income taxes, and (iv) potential additional state income tax liability. Currently, employers and other service recipients are only required to withhold on the compensation that is includable in the service provider's current federal taxable income when there is a section 409A compliance failure. The IRS finds that trying to collect these additional taxes from individual employees is time-consuming, administratively impractical, burdensome, and an inefficient use of IRS resources. Accordingly, to more efficiently and effectively collect these additional taxes and penalties, the proposal requires employers to	The proposal would raise $6.8 billion over 10 years.

	withhold on the additional 20% tax and additional interest that is imposed on service providers when an NQDC plan fails to comply with applicable section 409A requirements. **Comparison to FY22:** the proposal is new. **Effective Date**: after Dec. 31, 2022.	
Extend to Six Years the Statute of Limitations for Certain Tax Assessments	The proposal would extend the general three-year statute of limitations in the case of a taxpayer omitting more than $100 million of gross income on their return. **Comparison to FY22:** the proposal is new. **Effective Date:** for returns required to be filed after the date of enactment.	The proposal would have negligible revenue effects.
Expand and Increase Penalties for Noncompliant Return Preparation and E-Filing and Authorize IRS Oversight of Paid Preparers	<u>Expand and increase penalties for noncompliant return preparation and e-filing</u> The proposal would increase noncompliance penalties on paid tax return preparers, as well as introduce the following new penalties applicable to paid return preparers: • $1,000 penalty would apply for each unauthorized use of a PTIN, with a maximum penalty of $75,000 for a calendar year. • $250 penalty would apply for each unauthorized use of an EFIN. • Except for failures due to reasonable cause, a $500 penalty would apply for each failure by a taxpayer to disclose the use of a paid tax return preparer and the fees paid to such a preparer. The proposal also would: • Double the limitation period from three to six years during which the penalty for failure to furnish the preparer's identification number may be assessed. • Clarify the Secretary's authority to regulate the conduct and suitability of participants in the authorized e-file program, including setting standards to protect the integrity of the program. **Comparison to FY22:** the following key changes were made to the FY2022 proposal: • Introduction of new penalties for unauthorized use of PTINs and EFINs. • Allowing the Secretary to regulate the conduct of e-file program participants. **Effective Date:** for returns required filed after the date of enactment. <u>Authorize IRS oversight of paid preparers</u>	This provision would raise $995 million.

	The proposal would provide the Secretary with explicit authority to regulate all paid preparers of federal tax returns, including establishing mandatory minimum competency standards. In 2010, the IRS launched the Tax Return Preparer Initiative, which required certain paid preparers to pass a competency exam. The initiative was discontinued in 2013 after a court ruled the IRS lacked the authority to regulate paid tax preparers. **Comparison to FY22:** the proposal is new. **Effective Date:** on date of enactment.	
Address Compliance in Connection with Tax Responsibilities of Expatriates	If a taxpayer relinquishes U.S. citizenship or ceases to be a lawful permanent resident and is required to provide IRS Form 8854 with her tax return, the proposal extends the time for assessment of tax, providing that such period will not expire until three years after the date on which Form 8854 is filed with the IRS, to reduce abuse and noncompliance with respect to high-net-wealth expatriates. Covered expatriates are required to pay a mark-to-market exit tax on a deemed disposition of their worldwide assets on the day before their expatriation date. The proposal grants the Secretary authority to provide relief from the rules for covered expatriates for a narrow class of lower-income dual citizens. This relief would apply only to taxpayers that have a home outside the U.S., whose income and assets are below a specified threshold, and satisfy other conditions that ensure their contacts with the U.S. are limited. **Comparison to FY22:** the proposal is new. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would raise $13 million.
Simplify Foreign Exchange Gain or Loss Rules and Exchange Rate Rules for Individuals	The proposal would allow individuals working abroad to use an average rate for the year to calculate qualified compensation received in foreign currency, as opposed to the current requirement of translating foreign currency into U.S. dollars on each date a payment is received. The proposal would increase the personal exemption amount for foreign currency gain from $200 to $500 and would index this amount for inflation. The proposal would also allow individuals to deduct (currently nondeductible) foreign currency losses realized with respect to mortgage debt secured by a personal residence to the extent of any gain taken into income on the sale of the residence as a result of foreign currency fluctuations. **Comparison to FY22:** the proposal is new. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would cost $25 million.
Increase Threshold for Simplified Foreign Tax Credit Rules and Reporting	The proposal would increase the threshold for the foreign tax credit limitation exception from $300 ($600 for joint filers) to $600 ($1,200 for joint filers), and index this amount for inflation, simplifying return preparation for a number of individual taxpayers. U.S. individuals who pay foreign taxes on investment income generally are allowed a foreign tax credit against U.S. tax liability.	The proposal would cost $287 million.

	Section 904(j) provides an elective exception for taxpayers who pay or accrue $300 or less ($600 for joint filers) of creditable foreign income taxes on their investment income. This exception is available for individuals whose only foreign income for the year is passive income and for whom all such income is reported on a qualified payee statement (e.g., Form 1099-DIV or Schedule K-3 of Form 1065) or similar statement. In addition to being excepted from applying the foreign tax credit limitation rules, electing taxpayers are also excepted from filing Form 1116, Foreign Tax Credit (Individual, Estate, or Trust). **Comparison to FY22:** the proposal is new. **Effective Date:** for foreign income taxes paid or accrued in taxable years beginning after Dec. 31, 2022.	
Modernize Rules, Including Those for Digital Assets		
Modernize Rules Treating Loans of Securities as Tax-Free to Include Other Asset Classes and Address Income Inclusion	This proposal would amend securities loan nonrecognition rules to apply to loans of actively traded digital assets. Under current law, there are no rules that address whether loans of digital assets (other than securities) give rise to taxable gains or losses. **Comparison to FY22:** the proposal is new. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would have negligible revenue effects.
Provide for Information Reporting by Certain Financial Institutions and Digital Asset Brokers for Purposes of Exchange of Information	The proposal requires financial institutions to report the account balance for all financial accounts maintained in the United States by a foreign person. The proposal expands current reporting requirements to include non-U.S. source payments and the sale or redemption of property held in such a financial account. The proposal would require digital asset brokers to report gross proceeds and other information with respect to digital asset sales. The proposal would enable the United States to share and receive data with other jurisdictions, pursuant to an international automatic exchange of information framework. **Comparison to FY22:** the proposal is new. **Effective Date:** for taxable years beginning after Dec. 31, 2023.	The proposal would raise $2.10 billion.
Require Reporting by Certain Taxpayers of Foreign Digital Asset Accounts	The proposal would require taxpayers to report any account that holds digital assets maintained by a foreign digital asset exchange or digital asset service provider, provided the taxpayer has total reportable assets with an aggregate value in excess of $50,000 in accounts reportable under section 6038D. **Comparison to FY22:** the proposal is new. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	The proposal would raise $2.21 billion.
Amend the Mark-to-Market	The proposal would allow digital asset dealers to use mark-to-market accounting for actively traded digital assets and derivatives of such assets. The proposal creates a new category for digital	The proposal would raise $6.65 billion.

Rules to Include Digital Assets	assets so they would not be treated as securities or commodities for purposes of the mark-to-market rules. **Comparison to FY22:** the proposal is new. **Effective Date:** for taxable years beginning after Dec. 31, 2022.	
Improve Benefits Tax Administration		
Clarify Tax Treatment of Fixed Indemnity Health Policies	The proposal would clarify that employer-provided accident or health plan benefits, such as fixed indemnity health policies and critical disease or specific disease benefit plans, which pay fixed benefit amounts, directly or indirectly, without regard to the actual cost of the medical expenses incurred by the employee, will be treated as gross income to the recipient taxpayer. Such payments would also be treated as wages and subject to FICA and FUTA taxes. Employer-provided payments that apply to specific medical expenses incurred by the employee would continue to be excluded from gross income under IRC section 105(b). Payments from accident or health insurance purchased with after-tax dollars by a taxpayer would also continue to be excluded from gross income, even if the amounts paid under the policy exceed the individual's medical expenses that triggered the payment. **Comparison to FY22:** the proposal is new. **Effective Date:** tax years beginning after Dec. 31, 2022.	The proposal would have no revenue effect.
Clarify Tax Treatment of On-Demand Pay Arrangements	The proposal would amend IRC section 7701 to define on-demand pay arrangements as those that allow employees to withdraw earned wages before regularly scheduled pay dates. IRC section 3401(b) would also be amended, to treat the payroll period for on-demand pay arrangements the same as a weekly payroll period, even if employees have access to their wages during the week. This amendment would prevent challenges under the longstanding constructive receipt rules that would otherwise require employers to maintain a daily payroll period, triggering withholding and payment of employment taxes on a daily basis. IRC sections 3102, 3100 and 3301 would be amended to clarify that on-demand pay arrangements are not loans. Finally, IRC section 6302 would be amended to provide special payroll deposit rules for on-demand pay arrangements, giving the Treasury Secretary and her delegates regulatory authority to implement the changes addressing the on-demand pay arrangement changes. **Comparison to FY22:** the proposal is new. **Effective Date:** calendar quarters and years beginning after Dec. 31, 2022.	The proposal would have a negligible revenue effect.
Rationalize Funding for Post-Retirement Medical and Life Insurance Benefits	Currently, an employer can make deductible contributions to a welfare benefit fund up to the annual account limit, with an exception for additional reserves for post-retirement medical and life insurance benefits. These additional reserves must currently be funded "over the working lives of the covered employees and actuarially determined on a level basis." However, there is no	The proposal would have a negligible revenue effect.

	mechanism to ensure that employers honor their implied promise to retirees, and, if employers eliminate or reduce retiree benefits, there is no prohibition on their using the funds for other welfare benefits for current employees. The proposal would require post-retirement benefits to be funded over the longer of the working lives of the covered employees on a level basis or 10 years, unless the employer commits to maintain those benefits over a period of at least 10 years. **Comparison to FY22:** the proposal is new. **Effective Date:** tax years beginning after Dec. 31, 2022.	