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News

May 28, 2021

Summary and Analysis of Biden Administration's Newly Released FY 2022 Budget

On Friday, May 28, the Biden administration released its fiscal year (FY) 2022 budget request ("Budget") and the following accompanying documents.

1. **Fact Sheet.** Six-page summary of various proposals in the Budget.

2. **Analytical Perspectives.** Contains a detailed analysis of specific subject areas within the Budget. It includes information on federal receipts and collections; analyses of federal spending; and information on federal borrowing and debt.

3. **Appendix.** Provides details on appropriations and legislative proposals for each agency.

4. **General Explanations of the Administration's Fiscal Year 2022 Revenue Proposals ("Green Book").** For the first time since 2016, the Budget also includes a Green Book, which provides cost estimates and descriptions for the revenue proposals in the Budget.

The Budget provides insight into the president's top policy priorities and information on how these priorities will impact federal deficits, economic growth, and more. This tax policy alert includes an overview of the Budget, key takeaways on various revenue proposals, and a summary of the revenue proposals included in the Green Book.

Budget Overview

The $6 trillion Budget is the largest in U.S. history. The Budget includes two of President Biden's cornerstone legislative priorities: The $2.3 trillion American Jobs Plan and the $1.8 trillion American Rescue Plan. The Budget also outlines plans for $1.7 trillion in discretionary spending to fund federal agencies. Proposed tax hikes in the Budget are estimated to raise $3.6 trillion over the next decade, paired with $1.2 trillion in tax incentives. Of note, both the American Jobs Plan and American Families Plan together are paid for with tax increases over 15 years, as opposed to the traditional 10-year budget window.

The administration views the proposal as a down payment to grow the middle class. It estimates unemployment would fall from its current 6.1% to 4.1% next year and remain below 4% thereafter. Once fully enacted, the White House expects the plan to spur annual economic growth of just under 2% annually, after accounting for inflation. Growth projects are comparatively low and are similar to post-financial crisis projections by the Obama administration.

Government Reforms

In addition to significant spending proposals, the budget outlines multiple changes to the federal government's approach to implementing federal programs and services. These changes are meant to guide the administration going forward:

- *Equity in the Policymaking Process*. The administration said it will seek to advance equity across the federal government, particularly for people of color and underserved communities that have been historically disadvantaged. It proposes to do this by improving delivery of government programs for all Americans, but especially for those who have faced inequity.

- *Delivering Government Services Efficiently*. The budget identified areas in which the federal government can improve its delivery of service, and it specifically highlights the Internal Revenue Service (IRS). To fulfill its "customer service mindset," the budget states the IRS should establish a protocol for ensuring that taxpayer calls are returned in a timely fashion to improve customer experience.

- *Made in America*. The budget reiterated the administration's goal of promoting U.S. businesses through direct government assistance. To this end, it said the administration will use its procurement strategies to ensure federal resources are used to support American manufacturing.

Key Numbers

Type	FY 2021 Actual	FY 2022 Proposed
Total Receipts	$3.58 trillion	$4.17 trillion
Total Spending	$7.25 trillion	$6.01 trillion
Deficit	$3.67 trillion	$1.83 trillion
Federal Debt	$24.17 trillion	$26.27 trillion

Next Steps

The budget request is just that—a request. Rather than carry legal weight, it only informs members of Congress on the administration's priorities as they proceed with the annual appropriations process. That process will begin in earnest shortly after both chambers reconvene on June 14.

In the meantime, lawmakers will work diligently over the Memorial Day work period to compensate for lost time. The president's budget is traditionally released in February. However, the Biden administration was delayed for multiple reasons: the presidential transition, the COVID-19 pandemic and an inability to confirm Office of Management and Budget personnel.

House Budget Committee Chair John Yarmuth (D-KY) said last week he plans to begin work immediately, saying "as soon as we see [the budget], we'll start working on ours." Senate Budget Committee Chair Bernie Sanders (I-VT) said he will begin work after the Memorial Day work period. With a condensed timeline, other committees involved in the process, such as Appropriations, are expected to make considerable progress in June.

Some lawmakers are already anticipating Congress will miss the Sept. 30 deadline—the end of the fiscal year. Beginning Oct. 1, if the president has signed neither new spending bills nor a continuing resolution (CR), the government will shut down. Senate Appropriations Committee Vice Chair Richard Shelby (R-AL) has already predicted a stopgap will be necessary, saying this week, "We'll probably wind up with some short-term CRs and be here until November, December."

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Key Takeaways

1. **The Budget Assumes the Enactment of Both the American Families Plan and the American Jobs Plan.** As of this writing, congressional lawmakers continue to seek common ground on an infrastructure package. The Budget assumes the enactment of both the American Jobs Plan and the American Families Plan in their entirety. The bipartisan infrastructure proposal is a scaled-back version of the traditional infrastructure priorities in the American Jobs Plan. Several spending proposals and revenue raisers are not expected to be included in a bipartisan package. Assuming bipartisan negotiations on infrastructure are successful, Democrats will likely then pivot to include many of the care economy proposals and corporate and individual tax increases in a separate reconciliation bill, which would allow congressional passage with only Democratic votes.

   If bipartisan negotiations fail, then Democrats might try to advance both the American Families Plan and the American Jobs Plan through the budget reconciliation process. However, the Budget assumes permanent extensions of several provisions, which would not be possible under the rules of the budget reconciliation process, unless the proposals are fully paid for.

2. **No Clarity on Tax Cuts for Individuals Set to Expire in 2025 Under the Tax Cuts and Jobs Act (TCJA).** At the end of 2025, 23 provisions from the TCJA relating to individual income taxes will expire. This will result in tax increases to individuals unless these provisions are extended. Expiring TCJA provisions include individual income tax rate reductions, increases to the Child Tax Credit (CTC), increased AMT exemptions and phaseout thresholds, and the increased standard deduction. Some of these provisions are superseded by proposals in the Budget. For example, the Budget assumes a tax increase to 39.6% starting in 2022 for married individuals with over $509,300 in income. In other areas, the Budget only provides clarity in the short-term. For example, it extends the American Rescue Plan Act's (ARPA) CTC enhancement through 2025. However, it is unclear if the CTC will revert to pre- or post-TCJA levels after 2025.

3. **No Clarity on Various TCJA Business Provisions Scheduled to Phase Out.** Several tax changes enacted by the TCJA are scheduled to phase out in 2022 and 2023, including (1) effective in 2022, taxpayers must capitalize research and development (R&D) costs and amortize them over five years; (2) effective in 2022, the income measure used for the interest deduction cap reverts to earnings before interest and taxes (EBIT) from earnings before interest, taxes, depreciation, amortization and depletion (EBITDA); and (3) effective in 2023, the bonus depreciation amount will be reduced from 100% to 80%. It is scheduled to be reduced by 20 percentage points each year until fully phased out in 2027. The Budget does not provide taxpayers with any clarity on what will happen to these provisions. As of now, they are scheduled to phase out, which will amount to a tax increase for businesses.

4. **Biggest Losers and Biggest Winners.** The biggest losers in the Biden budget are the fossil fuel industry and high-income earners. The Budget would eliminate 14 tax incentives for oil, gas and coal companies. Additionally, the industry would also face a higher corporate tax rate, a 15% minimum book profits tax, and various changes to the international tax regime, which could result in tax increases as well. On the individual side, those with over $400,000 in income will see major tax increases. The top marginal tax rate for income over $509,300 for married couples ($452,700 for individuals) would increase to 39.6%, effective Dec. 31, 2021. Additionally, long-term capital gains and qualified dividends of taxpayers with adjusted gross income of more than $1 million ($500,000 for married filing separately) would be taxed at ordinary income tax rates, with 37% generally being the highest rate (40.8% including the 3.8% net investment income tax). To prevent individuals from selling off assets in anticipation of passage of the bill, the proposal would be effective for any gain realized after May 28, 2021. The proposal also requires that transfers of appreciated property by gift or on death be treated as a realization event, with a $1 million per-person exclusion. This essentially results in the loss of a step-up in basis. However, to mitigate adverse consequences for certain taxpayers, payment of tax on the appreciation of certain family-owned and operated businesses would not be due until the interest in the business is sold or the business ceases to be family-owned and operated.

   The biggest winners are green energy and individuals with under $400,000 in income. The Budget includes over $265 billion in renewable and alternative energy incentives, with more money on the spending side for various projects to modernize the energy grid and incentivize a transition to greener sources of energy. Individuals with under $400,000 in income also win under the Biden tax plan—the extension of various credits and deductions, especially for low- and middle-income individuals with children, can result in over $12,000 of additional credits per household. Although Republicans have pointed out that if the TCJA tax cuts for lower- and middle-income earners are not renewed, effectively those earning under $400,000 will become subject to an increase in taxes.

5. **What Didn't Make the Cut.** While President Biden's Budget is ambitious, it pales in comparison to his campaign proposals. Several campaign proposals ultimately did not make it into the final budget proposal. Notable campaign promise items not included:

    - **Tax credit to incentivize domestic manufacturing.** The Biden campaign proposal included a Manufacturing Communities Tax Credit, which would provide incentives to companies that retool or revitalize facilities in communities that have experienced economic disruption.

    - **Caregiver tax credit.** A $5,000 tax credit for family members who provide long-term care for the elderly ("informal caregivers"). The plan would allow these informal caregivers to make "catchup" contributions to retirement accounts, even if they are not earning income in the formal labor market.

    - **First-time homebuyer tax credit.** A tax credit for first-time homebuyers worth 10% of their home's purchase price, up to $15,000.

    - **Repeal of pass-through deduction.** Phase-out of the 199A deduction for individuals earning over $400,000. The proposal expires in 2025 for all taxpayers. The Budget is silent on an extension for all taxpayers, regardless of income.

    - **Itemized deduction phaseout.** The reintroduction of the Pease limitation on income that exceeds $400,000. That limitation reduces itemized deductions by 3% for every dollar that income exceeds $400,000.

    - **Social Security taxes.** An additional Social Security tax on wages or self-employment income over $400,000. It maintains the current law limit of $137,700 for the application of Social Security taxes.

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Provision	Description	Score
AMERICAN JOBS PLAN		
REFORM CORPORATE 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%. **Effective date:** for taxable years beginning after Dec. 31, 2021 (with a transition rule for fiscal year taxpayers).	The proposal would raise $857.82 billion.
Revise the Global Minimum Tax Regime, Disallow Deductions Attributable to Exempt Income, and Limit Inversions	The proposal would: • Increase the Global Intangible Low-Taxed Income (GILTI) minimum tax on controlled foreign subsidiaries and branches of U.S. corporations from 10.5% to 21% (that is, 75% of the proposed corporate rate of 28%, rather than 50% of the current 21% corporate tax rate). • Eliminate the TCJA rule for qualified business asset investment (QBAI) that allows U.S. companies to exclude the first 10% of the return on business assets located in foreign countries. • Require taxpayers to calculate GILTI on a country-by-country basis with a separate foreign tax credit limitation for each jurisdiction. • Repeal the current exemption under Treasury regulations for income derived from high-tax jurisdictions (the so-called “high tax exemption”). The proposal also would allow corporations to deduct any foreign taxes paid by a U.S. parent corporation with respect to income included under a minimum tax regime consistent with the Organisation for Economic Cooperation and Development (OECD) Pillar Two framework for a global minimum tax, if a consensus agreement is reached. **Effective date**: for taxable years beginning after Dec. 31, 2021. The proposal also would make it harder for U.S. corporations to invert by tigh tening the current-law anti-inversion rules. The proposal would continue to treat a corporation as U.S. based and subject to U.S. tax, even if acquired by a foreign corporation, if at least 50% (decreased from 80% under current law) o f the former shareholders (by vote or value) become shareholders of the new foreign parent. The proposal also would eliminate the current exception for a cquisitions in which the continuing shareholder percentage is at least 60%. **Effective date:** for transactions completed after the date of enactment.	The proposal would raise $533.50 billion.

Reform Taxation of Foreign Fossil Fuel Income	The proposal would repeal the current exemption from GILTI for foreign oil and gas extraction income (FOGEI), thereby subjecting it to the same tax treatment as foreign oil related income (FORI) under current law. The proposal also would amend FOGEI and FORI to include income from shale oil and tar sands. For dual-capacity taxpayers, the proposal would limit the amount of foreign levy that would qualify as a creditable foreign tax to the amount of tax that the dual-capacity taxpayer would have paid to a foreign government if it were a non-dual-capacity taxpayer. This would codify current Treasury regulations and make the safe harbor the sole method for determining the creditable portion of the foreign levy paid (subject to alternative treatment under applicable U.S. tax treaties). **Effective date:** for taxable years beginning after Dec. 31, 2021.	The FOGEI proposal would raise $84.78 billion. The dual-capacity taxpayer proposal would raise $1.43 billion.
Repeal the Deduction for Foreign-Derived Intangible Income (FDII)	The proposal would repeal the deduction for FDII. In addition, the revenue generated from repealing FDII would be used to provide additional support for research and experimentation expenditures. Under current law, a corporation may deduct 37.5% of its FDII. The amount of eligible income is generally equal to a corporation's domestic income, minus certain exceptions, and a 10% reduction for the corporation's qualified business asset investment. This provision was originally enacted as part of TCJA to incentivize locating and expanding trades or businesses in the United States. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The repeal of FDII proposal would raise $123.94 billion. The support for research and experimentation proposal would cost $123.94 billion.
Replace the Base Erosion Anti-Abuse Tax (BEAT) with the Stopping Harmful Inversions and Ending Low-Tax Developments (SHIELD) Rule	The proposal would repeal the current BEAT minimum tax imposed on corporations that make certain deductible payments to foreign-related parties. The BEAT would be replaced by new rules (SHIELD) that fully or partially disallowed deductions of a domestic corporation (or branch) for expenses paid to certain business entities subject to tax below the designated global minimum-tax rate. The designated minimum-tax rate would be based on the rate established under an OECD Pillar Two agreement, if one is reached; otherwise, it would be the GILTI rate (21% under the budget proposal). The SHIELD rules would apply to insurance and reinsurance payments. The new rules, however, would be limited to U.S. companies in consolidated groups with more than $500 million in annual global revenues. **Effective date:** the proposal to repeal BEAT and establish the SHIELD rules would be effective for taxable years beginning after Dec. 31, 2022.	The proposal would raise $390.05 billion.
Restrict Deductions of Excessive Interest of Member of Financial Reporting Groups for Disproportionate Borrowing in the United States	The proposal would limit the ability of members of a multinational group that prepares a consolidated financial statement under GAAP or IFRS from deducting excess interest in the United States. The limitation would apply where the member's net interest expense for financial reporting purposes exceeds the member's proportionate share of the group's net interest expense reported on the consolidated financial statement. A member's proportionate share of net interest expense is based on the member's proportionate share of the group's earnings (computed by adding back net interest expense, tax expense, depreciation, depletion and amortization) as	The proposal would raise $18.58 billion.

	provided in the groups consolidated financial statement. The section 163(j) limitation would still apply to the taxpayer's allowed net interest expense. **Effective date:** for taxable years beginning after Dec. 31, 2021.	
Impose a 15 Percent Minimum Tax on Book Earnings of Large Corporations	The proposal would impose a 15% minimum tax on worldwide book income of any corporation with worldwide book income in excess of $2 billion. Corporations would be able to deduct book net operating loss, and would be able to use general business credits and foreign tax credits in determining book tentative minimum tax (BTMT). The book income tax would equal the excess of BTMT (as determined above) over regular income tax. A book tax credit would be available to offset regular tax liability in future tax years. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would raise $148.34 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, Treasury would reimburse territories such as Puerto Rico and 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. If a U.S. shareholder of a controlled foreign corporation has an inclusion of income in determining its global minimum tax (presumably based on an OECD Pillar Two agreement) or Subpart F income, no deductions would be allowed for any expenses paid or incurred in moving the trade or business out of the U.S. **Effective date:** expenses paid or incurred after date of enactment.	The onshoring tax credit proposal would cost $112 billion. The disallowance of offshoring expense deductions proposal would raise $112 billion.
SUPPORT HOUSING AND INFRASTRUCTURE		
Expand Low-Income Housing Tax Credit	The proposal would expand the Low-Income Housing Tax Credit (LIHTC) with a new housing credit dollar amount (HCDA), the "Opportunity HCDA" (OHCDA). Local housing credit agencies would be required to allocate the majority of their OHCDAs to projects in Census Tracts of Opportunity (CTOs). The proposal would define a CTO as a tract which is entirely in one or more difficult development areas or a tract which has low poverty or other advantages. In each calendar year 2022 through 2026, the aggregate number of new OHCDAs would be 118 percent of the aggregate annual number of new HCDAs under current law. **Effective date:** for calendar years beginning with 2022.	The proposal would cost $31.9 billion.

Provide Neighborhood Homes Investment Tax Credit (NHIC)	The proposal would create a Neighborhood Homes Investment Tax Credit (NHIC) to support new construction for sale, substantial rehabilitation for sale, and substantial rehabilitation for existing homeowners. The constructed or rehabilitated residence must be a single-family home (including homes with up to four dwelling units), a condominium, or a residence in a housing cooperative. For FY 2022-2031, a specified amount of potential NHICs would be allocated to the states and territories, starting at $2 billion in FY 2022. Each state would create or delegate an agency to serve as the Neighborhood Homes Credit Agency (NHCA), with authority to allocate potential NHICs to project sponsors. Sponsors would apply on a competitive basis by providing candidate plans for construction or rehabilitation. Taxpayers may only claim NHICs after construction, inspection, and owner occupancy and the credits can only be claimed by owners whose household income does not exceed 140 percent of area/state median income. **Effective date:** the proposal would apply to allocations of potential NHICs to and by NHCAs in calendar years after 2021. Credits could be claimed in taxable years ending after Dec. 31, 2021.	The proposal would cost $13 billion.
Make Permanent the New Markets Tax Credit (NMTC)	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-percent tax credit for qualified equity investments (QEIs) made to acquire stock in a corporation, or a capital interest in a partnership, that 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. **Effective date:** after the date of enactment.	The proposal would cost $3.9 billion.
Provide Federally Subsidized State and Local Bonds for Infrastructure	The proposal would establish qualified School Infrastructure Bonds (QSIBs) with a national QSIB limitation of $50 billion—$16.7 billion each for 2022, 2023 and 2024. The allocation of this bond authority among states would be based on the proportion of funds that each state receives under Title I, Part A of the Elementary and Secondary Education Act of 1965. Interest on QSIBs would be taxable; bondholders would receive either a tax credit equal to 100 percent of the interest or receive cash from the bond issuer and the federal government would make corresponding direct payments to the issuer. The proposal would also expand the category of private activity bonds pursuant to SAFETEALU, increasing the amount of such bonds by an additional $15 billion. The proposal would also add public transit, passenger rail, and infrastructure for zero emissions vehicles as qualified activities for which such bonds may be issued. **Effective date:** both the proposal for QSIBs and the increase in transportation bond volume would be effective beginning with calendar year 2022.	The proposal would cost $11.8 billion.

PRIORITIZE CLEAN ENERGY		
ELIMINATE FOSSIL FUEL TAX PREFERENCES		
Repeal Enhanced Oil Recovery Credit	This proposal would repeal the 15% credit of costs of oil recovery technologies. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would raise $7.80 billion.
Repeal Credit for Oil and Gas Produced from Marginal Wells	This proposal would repeal the credit for oil and natural gas that is sourced from a well. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would raise $516 million.
Repeal Expensing of Intangible Drilling Costs	This proposal would repeal the expensing of drilling costs. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would r aise $10.49 billion.
Repeal Deduction for Tertiary Injectants	This proposal would repeal the deduction for tertiary injection expenses. **Effective date:** for taxable years beginning after Dec. 31, 2021.	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	This proposal would repeal the passive loss exception that relieves exploration and development of gas and oil. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would raise $86 million.
Repeal Percentage Depletion for Oil and Natural Gas Wells	This proposal would repeal the 15 percent reduction to a productive well. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would raise $9.17 billion.
Increase Geological and Geophysical Amortization Period for Independent Producer	This proposal would repeal the two-year amortization period for geological and geophysical expenditures incurred in connection with oil and natural gas exploration. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would raise $1.99 billion.
Repeal Expensing of Exploration and Development Costs	This proposal would allow the capitalization and amortization of certain costs like exploring and developing oil and gas wells and coal mines or other natural fuel deposits. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would raise $911 million.
Repeal Percentage Depletion for Hard Mineral Fossil Fuels	The proposal would allow the recovery of certain costs for developing certain oil, gas and mineral fuel properties. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would raise $1.31 billion.
Repeal Capital Gains Treatment for Royalties	The proposal would disallow preferential low tax rates for certain sources of income and tax under the regular tax rate schedule. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would raise $455 million.

Repeal the Exemption from the Corporation Income Tax for Fossil Fuel Publicly Traded Partnerships.	The proposal would repeal the exemption under current law for partnerships that derive at least 90% of their gross income from depletable natural resources, real estate, or commodities are exempt from the corporate income tax and taxed as partnerships instead. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would raise $1.03 billion.
Repeal Excise Tax Exemption for Crude Oil Derived from Bitumen and Kerogen-Rich Rock	This proposal would repeal the Oil Spill Liability Trust Fund excise tax exemption of $0.09/barrel of crude oil. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would raise $395 million.
Repeal Amortization of Air Pollution Control Equipment	This proposal would repeal the amortization ($.232 per dollar of capital costs) of pollution control equipment. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would raise $901 million.
EXTEND AND ENHANCE RENEWABLE AND ALTERNATIVE ENERGY INCENTIVES		
Extend and Modify the Renewable Energy Production Tax Credit	This proposal would extend the full production tax credit for qualified faci lities commencing construction after Dec. 31, 2021 and before Jan. 1, 2027, and will phase down to zero over five years beginning in 2027. Tax payers may elect a direct pay option. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would cost $38.62 billion.
Extend and Modify the Energy Investment Credit	This proposal would restore the full 30% rate and extend the investment tax credit for solar and geothermal electric energy property, qualified fuel cell power plants, geothermal heat pumps, small wind property, offshore wind property, waste energy recovery property, and combined heat and power property. Taxpayers would be able to elect a direct pay option. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would cost $210.59 billion.
Extend and Modify the Residential Energy Efficient Property Credit	This proposal would uniformly tax all returns to investments and not allow credits for certain activities, investments or industries. The expansion includes qualified battery storage technology installed in a residence and amounts to 30% for property placed in service from 2022-2026. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would cost $16.10 billion.
OTHER CLEAN ENERGY PROPOSALS		
Provide Tax Credit for Electricity Transmission Investments	This credit would provide a 30% credit for qualifying electric power transmission property placed in service in a given year (i.e., overhead, submarine, and underground transmission facilities). Taxpayers may elect a direct pay option.	The proposal would cost $23.80 billion.

	Effective date: for taxable years beginning after Dec. 31, 2021.	
Provide Allocated Credit for Electricity Generation from Existing Nuclear Power Facilities	This credit would provide up to $1 billion a year (two-year windows) in credits for existing nuclear power facilities which depend on certain factors: good operation and safety record, facility faces financial operating losses and future projections include continued losses, and emissions of various air pollutants would increase if the facility ceased operations. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would cost $9.75 billion.
Establish New Tax Credits for Qualifying Advanced Energy Manufacturing	This proposal would authorize an additional $10 billion of Section 48C credits and modifies to include industrial facilities; recycling; and expanded eligible technologies, including but not limited to energy storage and components, electric grid modernization equipment, carbon oxide sequestration, and energy conservation technologies). **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would cost $7.93 billion.
Establish Tax Credits for Heavy and Medium Duty Zero Emissions Vehicles	This proposal would provide a tax credit for new medium and heavy zero duty emissions vehicles. For a Class 3 vehicle, the credit is: • $25,000 per vehicle purchased between January 1, 2022 and December 31, 2024. • $20,000 per vehicle purchased between January 1, 2025 and December 31, 2025. • $15,000 per vehicle purchased between January 1, 2026 and December 31, 2026. • $10,000 per vehicle purchased between January 1, 2027 and December 31, 2027 For Class 4-6 vehicles, the credit is: • $45,000 per vehicle purchased between January 1, 2022 and December 31, 2024. • $40,000 per vehicle purchased between January 1, 2025 and December 31, 2025. • $35,000 per vehicle purchased between January 1, 2026 and December 31, 2026. • $30,000 per vehicle purchased between January 1, 2027 and December 31, 2027. For Class 7-8 short-haul vehicles, the credit is: • $120,000 per vehicle purchased between January 1, 2022 and December 31, 2023. • $100,000 per vehicle purchased between January 1, 2024 and December 31, 2024. • $80,000 per vehicle purchased between January 1, 2025 and December 31, 2027.	The proposal would cost $10.64 billion.

	For Class 7-8 long-haul vehicles, the credit is: • $120,000 per vehicle purchased between January 1, 2022 and December 31, 2024. • $100,000 per vehicle purchased between January 1, 2025 and December 31, 2027. **Effective date:** for taxable years beginning after Dec. 31, 2021.	
Provide Tax Incentives for Sustainable Aviation Fuel	This provision would introduce a new production tax credit of $1.50/gallon for sustainable aviation fuel that achieves at least a 50% reduction in emissions when compared to conventional jet fuel. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The provision would cost $6.64 billion.
Provide a Production Tax Credit for Low-Carbon Hydrogen	This provision would implement a production tax credit for hydrogen produced using zero-carbon emissions electricity and water as a feedstock, which amounts to $3.00 per kilogram between 2022 and 2024 and $2.00 per kilogram between 2025 and 2027. Taxpayers may elect a direct pay option. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The provision would cost $4.13 billion.
	EXTEND AND ENHANCE ENERGY EFFICIENCY AND ELECTRIFICATION INCENTIVES	
Extend and Modify the Nonbusiness Energy Property Credit	This credit would extend the credit under Section 25C to five years and increase the lifetime limit to $1,200 for property placed in service after Dec. 31, 2021 and before Jan. 1, 2027. The proposal would also increase the credit to 15% and modify the definitions of eligible qualified energy efficiency improvements and residential energy property expenditures. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would cost $8.43 billion.
Extend and Increase the Tax Credit for Manufacturing Credit for New Energy Efficient New Homes	This provision would increase the Section 45L tax credit from $2,000 to $2,500 for energy efficient homes and extend five years, and expand the eligibility of dwelling units and certified Energy Start homes. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would cost $1.67 billion.
Extend and Increase the Commercial Buildings Deduction	The proposal would increase the maximum Section 179D deduction from $1.80 to $3.00 for qualifying property, and the partial deduction rate from $0.60 to $1.00. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would cost $3.21 billion.
Provide Tax Credits for the Installation of Mechanical Insulation	This proposal would create a new general business tax credit for mechanical insulation labor costs (i.e., installing insulation materials, facings and accessory products) equal to 10% of the costs paid or incurred by the taxpayer during the taxable year. **Effective date:** for taxable years beginning after Dec. 31,2021.	The proposal would cost $5.41 billion.

OTHER CREDITS		
Provide Disaster Mitigation Tax Credit	This proposal would provide a nonrefundable 25% tax credit for homeowners and businesses on qualified disaster mitigation expenditures (capped at $5,000), and begins to phase out at an adjusted gross income of approximately $85,000 for single tax filers and approximately $170,000 for joint filers. **Effective date:** for taxable years beginning after the date of enactment.	The proposal would cost $4.04 billion.
Extend and Enhance the Carbon Oxide Sequestration Credit	This credit would provide an enhanced credit for captured carbon from sectors such as cement production, steelmaking, hydrogen production and petroleum refining (excluding ethanol, natural gas processing or ammonia production facilities). An enhanced credit is also provided for direct air capture projects. Taxpayers may elect a direct pay option. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would cost $6.06 billion.
Extend and Enhance the Electric Vehicle Charging Station Credit	This proposal would extend and enhance the 30 percent investment tax credit of alternative fuel refueling property to 2026 and increase the tax credit limit to $200,000 for individual devices. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would cost $6.27 billion.
REINSTATE SUPERFUND EXCISE TAXES AND MODIFY OIL SPILL LIABILITY TRUST FUND FINANCING		
Reinstate Superfund Excise Taxes	This proposal would reinstate three superfund excise taxes at double the rate periods through 2031 and extend the superfund excise tax on domestic crude oil and imported petroleum products. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would raise $24.78 billion.
Modify Oil Spill Liability Trust Fund (OSLTF) Financing	This proposal would extend the OSLTF tax to include crudes produced from bituminous deposits as well as kerogen rich rock and eliminate eligibility for OSLTF drawback. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would raise $513 million.
AMERICAN FAMILIES PLAN		
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 2022, the top marginal tax rate would apply to taxable income over $509,300 for married individuals filing a joint return, $452,700 for unmarried individuals (other than surviving spouses), $481,000 for head of household filers, and $254,650 for married individuals filing a separate return. **Effective date:** for taxable years beginning after Dec. 31, 2021.	The proposal would raise $131.92 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. Effective for gains required to be recognized after the announcement date. The proposal would end "step-up" in basis for gains above $1 million ($2.0 million per couple). Thus, the donor or deceased owner of appreciated assets would realize a capital gain at the time of the transfer. Certain exclusions will apply. Transfers by a decedent to a US spouse or charity would carry over the basis of the decedent. Exclusions also exist for household furnishings and personal effects (except collectibles); $250,000 per-person gain on principle residence would continue to apply ($500,000 per couple); as well as an exclusion for certain small business stock. IRS and Treasury have authority to implement proposals to facilitate transition. **Effective date:** for gains on property transferred by gift, and on property owned at death by decedents dying after Dec. 31, 2021, and on certain property owned by trusts, partnerships, and other non-corporate entities on Jan. 1, 2022.	The proposal would raise $322.49 billion.
Rationalize Net Investment Income and SECA Taxes	The proposal would ensure that all pass-through business income of high-income taxpayers ($400,000 threshold) is subject to the net investment income tax NIIT) or the SECA tax (3.8% Medicare tax). The definition of NIIT for those making in excess of $400,000 would be amended to include gross income and gain from any trades or businesses that is not otherwise subject to employment taxes. The NIIT revenue would be redirected to the Hospital Insurance Trust Fund. SECA would apply to partnership and LLC income and to ordinary business income of high-income nonpassive S corporation owners (starting at the $400,000 threshold). The statutory exception to SECA for limited partners would not exempt a limited partner from SECA if the limited partner otherwise materially participated in the business. **Effective date**: taxable years beginning after Dec. 31, 2021.	The proposal would raise $236.50 billion.
SUPPORT WORKERS, FAMILIES AND ECONOMIC SECURITY		
Make Permanent the ARPA Expansion of Premium Tax Credits	The proposal would permanently extend the premium reductions provided in ARPA, which included two years of lower health insurance premiums for those who buy coverage on their own from the ACA marketplaces. ARPA expanded the availability of premium tax credits (PTC) for lower- and middle-income individuals, reducing premiums significantly. ARPA also extended the PTCs to households earning above 400% of the federal poverty level, so that those households will pay no higher premium than 8.5% of household income. **Effective date**: after Dec. 31, 2022.	The proposal would cost $163.05 billion.

Make Permanent the Expansion of the Earned Income Tax Credit (EITC) for Workers Without Qualifying Children	The proposal would make permanent the EITC extensions enacted under ARPA. The end of the phase-in and the end of the plateau income ranges would be indexed for inflation in the same manner as other EITC parameters. The proposal would also make permanent the ARPA expansion of age eligibility. Taxpayers who could be claimed as a qualifying child or a dependent would not be eligible for the EITC for childless workers. Thus, full-time students who are dependent on their parents would not be allowed to claim the ETIC for workers without having qualifying children. **Effective date:** taxable years beginning after Dec. 31, 2021.	The proposal would cost $105.22 billion.
Make Permanent American Rescue Plan Changes to the Child and Dependent Care Tax Credit (CDCTC)	The proposal would make permanent the changes to CDCTC enacted under ARPA, which expanded the credit for one year, to a 20% to 50% credit for a maximum of $8,000 (one child) / $16,000 (two or more children) of qualifying child care expenses. The credit does not start to phase out until AGI reaches $125,000. The credit reaches its statutory minimum of 20% for AGIs between $183,000 and $400,000. The credit rate declines by 1% for each $2,000 increment above $400,000 of AGI until it equals 0% at $438,000 of AGI. Additionally, the proposal would establish reporting requirements appropriate for an expanded refundable tax credit, such as adding the CDCTC to the list of credits subject to paid preparer due diligence requirements. The proposal would also establish an information return requirement for agencies that provide childcare subsidies on behalf of children or other dependents, including those associated with the Child Care Development Fund (CCDF). **Effective date:** taxable years beginning after Dec. 31, 2021.	The proposal would cost $104.19 billion.
Extend the Child Tax Credit (CTC) Increase Through 2025 and Make Permanent Full Refundability	The proposal would extend to taxable years beginning before Jan. 1, 2026. The age to qualify for the CTC would be increased to include children who are 17 years old. The maximum tax credit per child would be increased to $3,600 for qualifying children under six, and $3,000 for all other qualifying children. The portion of the credit in excess of $2,000 would phase out sequentially with income in excess of $150,000 of modified AGI for married joint filers or surviving spouses, $112,500 for head of household filers, and $75,000 for all other filers, with a modified rule for large families. The proposal allows 50% of the otherwise allowable credit to be paid in advance based on information of the previous year's income tax return. The CTC would be made fully refundable, regardless of earned income, for all taxable years. **Effective date:** taxable years beginning after Dec. 31, 2021.	The proposal would cost $449.06 billion.
Increase the Employer-Provided Childcare Tax Credits for Businesses	The proposal would increase the existing tax credit to 50% of the first $1 million of qualified care expenses for a maximum total credit of $500,000 per year. The portion of the tax credit related to referral expense would remain at 10% with a maximum amount of $150,000 Effective date: Dec. 31, 2021.	The proposal would cost $302 million.
	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 (SECA) 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. **Effective date:** repeals IRC §1061 for taxpayers with taxable income in excess of $400,000 for taxable years after Dec. 31, 2021.	The proposal would raise $1.47 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. 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. **Effective date:** for exchanges completed in taxable years beginning after Dec. 31, 2021.	The proposal would raise $19.55 billion.
Make Permanent Excess Business Loss Limitation of Noncorporate Taxpayers	Under current law, for tax years beginning after Dec. 31, 2020, and before Jan. 1, 2027, taxpayers may not deduct an excess business loss. An excess business loss is the amount by which the total deductions attributable to a taxpayer's trades or businesses exceed total gross income and gains attributable to those trades or businesses plus certain thresholds which are adjusted for inflation. For 2021, those thresholds are $262,000 for single filers (or $524,000 for joint returns). The proposal would make this provision permanent. **Effective date:** for taxable years beginning after Dec. 31, 2026.	The proposal would raise $42.86 billion.
	IMPROVE TAX ADMINISTRATION	
Implement a Program Integrity Allocation Adjustment and Provide Additional Funding for Tax Administration	The proposal would change the way that IRS Enforcement and Operations Support funding is provided in a multi-year adjustment to the discretionary spending allocation. The proposed allocation for 2022 would fund $417 million in enforcement and compliance initiatives above current levels of activity. The proposal would also provide $71 billion in mandatory funding over the 10 year budget window for enhanced information technology, implementing the financial information regime, and strengthening taxpayer service. Enforcement resources would be directed at Americans with the highest incomes (not those with incomes less than $400,000). **Effective date:** upon appropriations.	The proposals would raise $316.18B billion. There is an inconsistency in the mandatory funding amount between the Green Book ($72.5 billion) and the budget tables ($71 billion).

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Introduce Comprehensive Financial Account Reporting to Improve Tax Compliance	The proposal would create a regime that requires financial institutions to report data on financial accounts, including gross inflows and outflows with a breakdown for physical cash, transactions with a foreign account, and transfers to and from another account with the same owner. This reporting would apply to all business and personal accounts (bank, loan and investment accounts). There would be an exception for de minimis flow thresholds or FMVs of $600 or less. Payment settlement entities would be required to collect TINs and file a revised Form 1099-K on all payee accounts, reporting gross receipts, gross purchases, physical cash, payments to and from foreign accounts, and transfer inflows and outflows. The same de minimis exception would apply. Similar reporting requirements would apply to crypto asset exchanges and custodians, including transfers of crypto assets from one broker to another. Businesses receiving crypto assets with a FMV of more than $10,000 would need to be reported as well. **Effective date**: tax years beginning after Dec. 31, 2022.	The proposals would raise $462.65 billion.
Increase Oversight of Paid Tax Return Preparers	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. **Effective date**: on date of enactment. The proposal would also increase the penalty per return for “ghost preparers”—those paid tax return preparers who fail to identify themselves on tax returns, to the greater of $500 per return or 100% of the income derived per return. The proposal would also double the limitation period for penalty assessment from three to six years. **Effective date**: for returns required to be filed after Dec. 31, 2021.	The proposals would raise $817 million.
Enhance Accuracy of Tax Information	The proposal would expand the secretary’s authority to require electronic filing for forms and returns which would enhance targeted audit activities and provide the IRS with tax return information in a more uniform electronic format. 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; and returns of insurance companies, 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.	The proposals would raise $1.81 million.

	Effective date: for payments made after Dec. 31, 2021.	
Expand Broker Information Reporting with Respect to Crypto Assets	The proposal would expand the information reporting by brokers who report on crypto assets, allowing the US to share information with partner jurisdictions and to reciprocally receive information on US taxpayers who engage in crypto asset transactions outside the US. The proposal would require brokers to report gross proceeds with respect to sales of crypto assets of their customers and, for passive entities, their substantial foreign owners. **Effective date**: for returns required to be filed after Dec. 31, 2022.	The proposal has negligible revenue effect.
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. **Effective date**: date of enactment. The proposal would also 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 US 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 US market or is consolidated with such a public issuer. **Effective date**: for sales of controlling interests in the stock of applicable C corporations on or after April 10, 2013.	The proposals would raise $5.40 billion.
Modify Tax Administration Rules	The proposal would amend sections 6226 and 6401 (centralized partnership audit regime) such that any net negative changes in tax that exceeds the income tax liability of a partner in the reporting year is considered an overpayment and may be refunded. The proposal also clarifies that a penalty can be approved any time prior to issuance of a notice that the Tax Court can review, that the IRS can raise a penalty in court if there is supervisory approval, and that for any penalty not subject to Tax Court review prior to assessment, supervisory approval may occur any time before assessment. **Effective dates for both**: upon enactment.	The proposals would raise $1.85 billion.

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Authorize Limited Sharing of Business Tax Return Information to Measure the Economy More Accurately	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 would also give officers and employees of the Bureau of Labor Statistics (BLS) with access to certain 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. This would provide improved economic statistics. **Effective date**: upon enactment.	The proposal has no revenue effect.
NOT INCLUDED IN THE GREEN BOOK		
Tax Credit to Incentivize Domestic Manufacturing	The Biden campaign proposal included a Manufacturing Communities Tax Credit, which would provide incentives to companies that retool or revitalize facilities in communities that have experienced economic disruption.	
Caregiver Tax Credit	A $5,000 tax credit for family members that provide long-term care for the elderly (“informal caregivers”). The plan would allow these informal caregivers to make “catchup” contributions to retirement accounts, even if they are not earning income in the formal labor market.	
First-time Homebuyer Tax Credit	A tax credit for first-time home buyers worth 10% of their home's purchase price, up to $15,000.	
Repeal of Pass-through Deduction	Phase-out of the 199A deduction for individuals earning over $400,000. The proposal expires in 2025 for all taxpayers. The budget is silent on an extension for all taxpayers, regardless of income.	
Itemized Deduction Phaseout	The reintroduction of the Pease limitation on income that exceeds $400,000. That limitation reduces itemized deductions by 3% for every dollar that income exceeds $400,000.	
Social Security Payroll Tax	An additional Social Security tax on wages or self-employment income over $400,000. It maintains the current law limit of $137,700 for the application of Social Security taxes.	

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