European Regional Conference 2025

US Tax Update

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US TAX UPDATE
EVERCHANING LANDSCAPE

INTERNATIONAL TAX SEMINAR
2025 LEA EUROPEAN REGIONAL CONFERENCE
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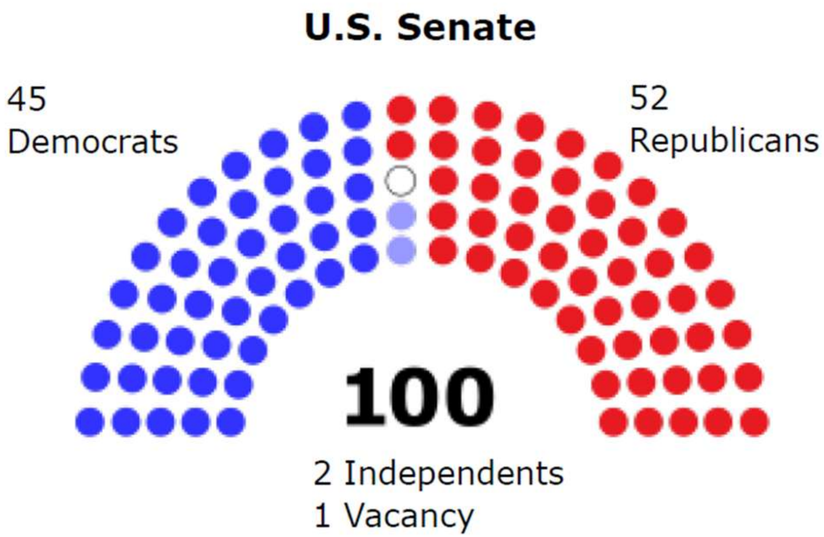
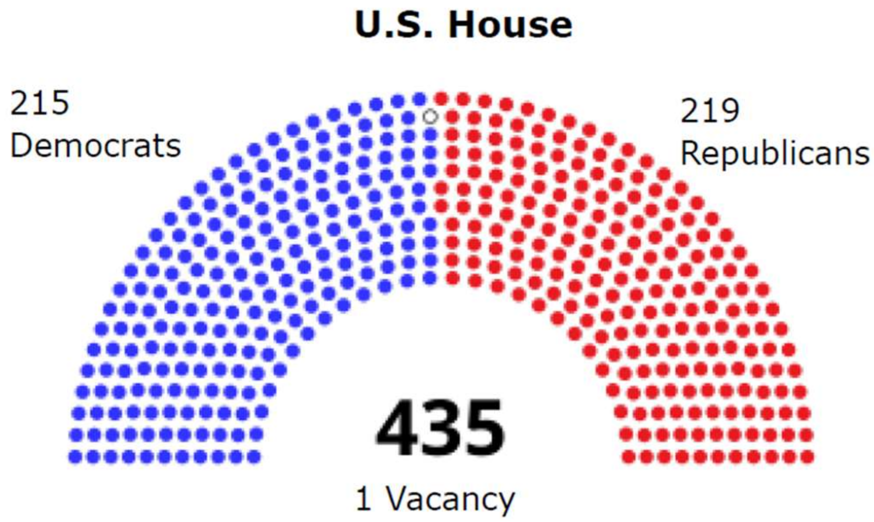
US Tax Policy Updates
Current Landscape

Landscape of Congress

1. Republicans hold slim majorities in House and Senate.





Tax Reform Legislative Process

1. House Ways and Means Committee creates tax reform bill with input from Mr. Trump's administration, using the House Republican blueprint as starting point; the marked-up version is sent to the House floor for a vote. If the House passes the bill, it is sent to the Senate.
2. The Senate Finance Committee will create/mark up its version of tax reform legislation based on the House bill and send to the Senate floor for vote. If it achieves 60 votes, the bill is sent to conference with the House.
3. The House and Senate must pass identical versions of the legislation before Mr. Trump can execute into law.
4. Although the Republicans hold the Senate, they do not hold 60 seats and therefore, a budget reconciliation could be required to move legislation forward (similar to 2017).
5. To reach the Senate floor, a bill must be approved by majority of committee members and then the bill is sent to the Senate floor to debate. Once on the floor for debate, 60 votes are required to end the debate and then must reach 60 votes again to pass the bill out of the Senate.
6. To mitigate the potential filibuster, Republicans can use budget reconciliation.

Budget Reconciliation Process

1. Republicans lack filibuster-proof 60 senate votes
2. Budget reconciliation allows 51-vote approval for spending, tax bills (or combination) under a two-step process
3. First, budget reconciliation with reconciliation instructions must be passed by both the House and Senate and second, Congress must pass reconciliation bills that adhere to such instructions
4. The number of reconciliation bills considered in one year is limited and Congress can only consider one reconciliation bill that impacts federal revenues at a time.
5. Thus, to use reconciliation for tax reform in 2025, Congress will have to pass other important bills using different methodology or defer tax reform until 2025 post implementation and approval of the FY 2025 budget.
6. Under reconciliation, legislation cannot create a sustained deficit outside a ten year budget window
7. Responsibility for estimating the revenue effects of such initiatives falls to the CBO (Congressional Budget Office) and to the JCT (Joint Committee on Taxation).
8. Both offices will review the tax gap, returns on investment, and the estimated cost of enforcement
9. Similarly, the JCT will assign a “dynamic score” to major tax bills in Congress, based on economic models, to forecast a bills ultimate impact on the federal budget. The higher the dynamic score, the more likely the bill is seen as spurring growth, raising tax revenue, and keeping the federal deficit manageable.

Budget Reconciliation Limitations

1. The Byrd Rule protects the views of the minority party and contains six tests for extraneous matters thereby requiring 60 senate votes. One such matter is an increase in net outlays or decrease revenue during a fascial year after the years covered by the reconciliation bill unless the provision's life remains budget neutral.

The House

- Ways and Means releases tax reform draft
- Ways and Means Chairman releases Chairman's mark and/or modified mark
- Ways and Means "marks up" tax reform bill, including amendments
- Full House of Representatives passes bill approved by Ways and Means (further amendments unlikely)
- House bill sent to Senate

The Senate

- Senate Finance releases mark (could be similar to or different from House bill)
- Senate Finance Chairman releases modified mark
- Senate Finance "marks up" its own tax reform bill, including amendments
- Full Senate considers bill approved by Senate Finance (further amendments possible)
- If bill achieves 60 votes, then to conference with the House
- Alternatively, "budget reconciliation" vehicle to achieve Senate approval
- Senate considers policy changes to conform with Budget Reconciliation rules

Conference

- House and Senate call for conference to reconcile differences between the two versions of the bill
- House and Senate Republicans and Democrats appoint conferees to negotiate conference report
- If conferees resolve their differences, the negotiated Conference Report sent back to House and Senate for approval
- No amendments to Conference Report permitted
- Senate may achieve 60 votes or 51 (via Reconcilation) for passage
- If approved, the bill is sent to President

Signature

- Conference report sent to President for signature, veto, or nonaction
- Treasury and Internal Revenue Service begin process of implementing the new law

Expiring Provisions - Individual

Provision	Impact
Tax Rate	Increase to 39.6 from 37 percent
Standard Deduction	50 percent decrease
SALT Cap	Eliminated
Mortgage Deduction	Increased
Reduction in Estate and Gift Tax exemption	Reduced from $13.6 million to $5 million

Expiring Provisions - Business

Provision	Impact
R&D/Section 174	Expired provisions include Section 174 current expensing; section 168(k) bonus depreciation; and section 163(j) add-back
GILTI	GILTI rate increases from 10.5% to 13.125%; FDII rate increases from 13.125% to 16.4%
BEAT	BEAT minimum tax on U.S. earnings would rise from 10% to 12.5%
Expiration of CFC Lookthrough	CFC look-through expires (consider 245A implications)
Corporate Rate	Remains at 21 percent

Expiring or Changing Summary

Employer credit for paid family and medical leave

§45S[2]

Relevant Change: No credit available.

BEAT rate

§59A(b)(2)(A)

Relevant Change: BEAT rate increases from 10% to 12.5%.

Increase to BEAT tax base

§59A(b)(2)(B)

Relevant Change: Certain credits are no longer treated as BEAT-favored tax credits.

100% bonus depreciation

§168(k)[3]

Relevant Change: Bonus depreciation decreases to 0% (after phase-downs).

Qualified business income deduction

§199A

Relevant Change: No qualified business income deduction.

Deduction for FDII

§250(a)(3)(A)

Relevant Change: Deduction percentage reduced from 37.5% to 21.875%.

Deduction for GILTI

§250(a)(3)(B)

Relevant Change: Deduction percentage reduced from 50% to 37.5%.

Citrus plants lost by casualty

§263A(d)(2)(C)(ii)[4]

Relevant Change: Pre-TCJA rules reinstated.

Deductibility of meals provided on premises at the convenience of the employer

§274

Relevant Change: No deduction allowed for meals provided on premises at the convenience of the employer.

Limitation on excess business losses for non-corporate taxpayers

§461(l)[5]

Relevant Change: Pre-TCJA rules reinstated.

Election of special rules for capital gains invested in opportunity zones

§1400Z-1 and §1400Z-2[6]

Relevant Change: Pre-TCJA rules generally reinstated.

Rollback of Biden Administration

1. Clean Electricity Investment and Production Tax Credits under 45Y and 48E (final), Previously Taxed Earnings and Profits (PTEP) (proposed), Partnership Recourse Liabilities (final), and Partnership Basis-Shifting (final) all passed late in Biden Administration.
2. President Trump implemented a regulatory freeze. A memorandum is sent to all departments and agencies directing them to immediately refrain from pursuing regulatory actions, which allows the new Administration to review and withdraw any regulations submitted by outgoing Administration, but not yet published in the Federal Register, or not yet effective.

Project 2025 Tax Recommendations

1. Reduce corporate rate to 18%/capital gains and
2. Qualified dividends to 15%
3. Repeal CAMT
4. Repeal BEAT
5. Repeal stock buyback excise tax
6. Repeal coal excise tax/Superfund tax
7. Repeal drug manufacturer excise tax
8. Repeal IRA subsidies (Subtitle D credits and tax breaks)
9. Increase business loss limitation to at least
10. $500K, allow unlimited carryforward
11. Repeal net investment income surtax
12. Repeal energy-efficient commercial building property deduction
13. Cap deductible untaxed benefits at
14. $12k/year/FTE (not indexed for inflation)
15. All benefits expenses other than tax- deferred retirement account contributions
16. A percentage of HSA contributions
17. No deduction for health insurance or other benefits provided to employee dependents 23 or older
18. Withdraw from OECD
19. Increase IRS presidential appointees
20. Provide greater powers to the National Taxpayer Advocate
21. Review information reporting and reduce burden
22. Withdraw Protocol on Amending the Convention on Mutual Administrative Assistance in Tax Matters

OECD Comments – President Trump Memo

1. Allows extraterritorial jurisdiction over American income and limits U.S. ability to enact tax policies that serve the interests of American businesses and workers
2. Recapture national sovereignty and economic competitiveness by clarifying that the Global Tax Deal has no force and effect in the US
3. Plans to notify OECD that any commitments made by the Biden Administration have no force and effect absent legislation adopting Pillar 2
4. Investigate whether any countries are not in compliance with tax treaties or have extraterritorial tax rules or rules disproportionately affecting American companies, and within 60 days recommend options for measures the U.S. should take in response
5. Implicates Section 891

Section 891

Doubling Tax Rates

In General

1. Gives President Trump the authority to double the tax rates of citizens and corporations of a foreign country if the President finds that the foreign country is subjecting US citizens or corporations to discriminatory or extraterritorial taxes.
2. Tax increase capped at 80 percent of taxable income and applies to taxable year invoked and each year thereafter until terminated by President.

Interaction with US Tax Treaties

Armenia	China	Iceland	Latvia	Philippines	Switzerland
Australia	**Cyprus**	India	Lithuania	**Poland**	Tajikistan
Austria	**Czech Republic**	**Indonesia**	**Luxembourg**	Portugal	**Thailand**
Azerbaijan	**Denmark**	**Ireland**	Malta	**Romania**	Trinidad
Bangladesh	Egypt	Israel	Mexico	Russia*	Tunisia
Barbados	Estonia	**Italy**	Moldova	Slovak Republic	**Turkey**
Belarus*	**Finland**	Jamaica	Morocco	**Slovenia**	Turkmenistan
Belgium	**France**	Japan	**Netherlands**	South Africa	Ukraine
Bulgaria	Georgia	Kazakhstan	**New Zealand**	**Spain**	**United Kingdom**
Canada	**Germany**	**Korea**	Norway	Sri Lanka	Uzbekistan
Chile	**Greece**	Kyrgyzstan	Pakistan	**Sweden**	Venezuela

*Treaty Partially Suspended

Key Questions

1. Does it apply to US green card holders and residents under substantial presence test
2. Does it apply to dual citizens
3. Will it increase social security rates
4. How will it impact foreign tax credits
5. Does it impact wage withholding (for nonresidents working in the US under secondments, etc.).

Tariffs
Initial Implications

Reciprocal Tariff Structure

1. 10% tariffs on all imports into the United States, regardless of the country of origin (effective date: April 5), narrow exemptions for North American imports and certain sectoral goods
2. Higher per-country reciprocal tariffs on certain trading partners in response to unbalanced trade (effective date: April 9).
3. Reciprocal tariff rates replace the 10% baseline and are additive to existing tariffs. New tariff rates on major trading partners include:
4. China: 34%
5. European Union: 20%
6. South Korea: 26%
7. Japan: 24%
8. India: 27%
9. Vietnam: 46%

Exempted Goods

1. Canada and Mexico - Imports from North America are exempted from the reciprocal tariffs. Goods that do not qualify under USMCA remain subject to 25 percent tariffs.
2. Certain goods currently subject to tariffs under Section 232 are exempt from additional tariffs, including steel, aluminum, and autos
3. Goods that are the subject of ongoing Section 232 investigations are exempt from additional tariffs, including timber, lumber, and copper goods
4. Pharmaceuticals, semiconductors, critical minerals, and certain energy goods are exempt but may be subject to trade investigations and new tariffs in the future
5. Duty free treatment for most de minimis goods (shipments under $800) under the reciprocal tariff regime remains in place until the administration establishes a process to collect duties on such imports. Note that de minimis treatment for goods from China is eliminated, effective May 2

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