



# US Tax Policy

Update

# Presenter Introduction



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Andrew is a Managing Director in the Washington National Tax Services (WNTS) office of PwC. As a member of the Tax Policy Services group, he oversees the monitoring and analysis of federal tax legislative developments. He also assists individuals, companies, associations and coalitions with lobbying and advocacy initiatives before Congress, the US Treasury Department, and the Internal Revenue Service.

From 1993 to 1996, Andrew worked as the chief Capitol Hill tax reporter for CCH, Inc. He was responsible for covering the US Congress, including House Ways and Means and Senate Finance Committees, and reporting on tax, budget, health, retirement, and entitlement legislation, including the Omnibus Budget Reconciliation Act of 1993, and the policy debates over President Clinton's health care reform plan, comprehensive tax reform, and balancing the federal budget.



# Key factors that may influence tax policy in 2021 & beyond

2020 carryover issues

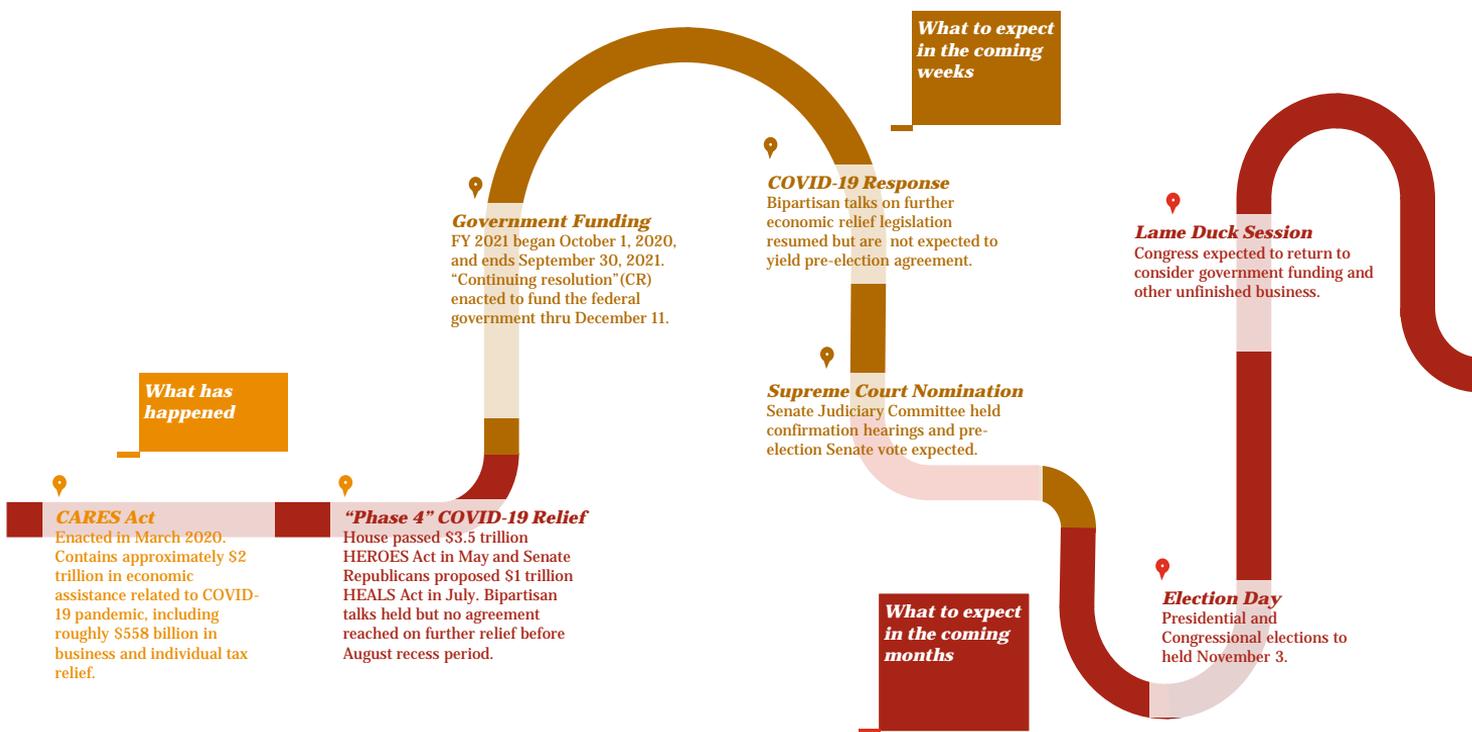
2020 election outcome

State of the US economy and health crisis

Federal budget outlook (fiscal cliff 2.0)

Global tax policy (OECD digital tax project)

# US tax policy outlook for remainder of 2020



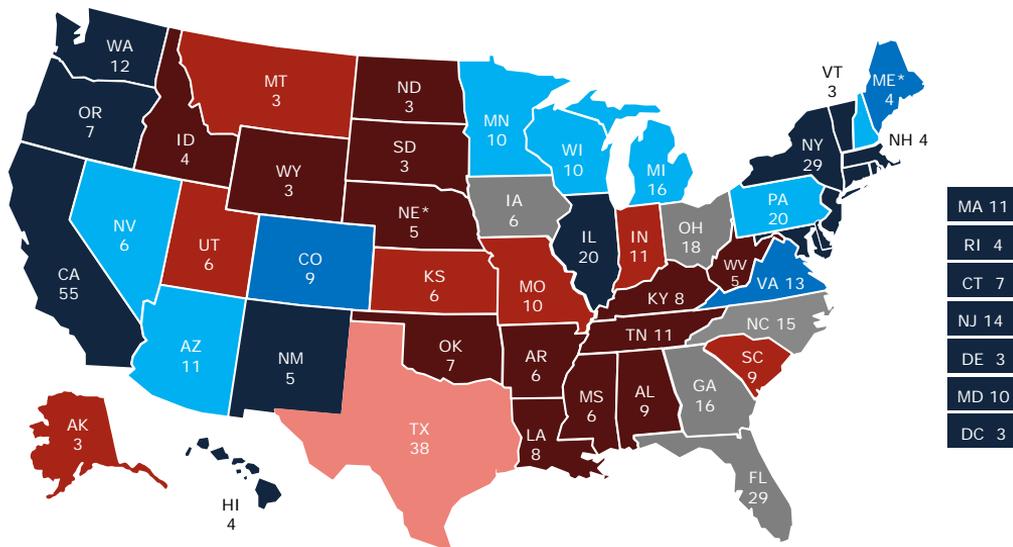
## Unfinished Business

- Government funding – Continuing resolution (CR) expires 12/11
- COVID-19 response – CARES Act tax relief expires after 12/31
- Tax extenders – 30+ provisions expire after 12/31 (e.g., CFC look-thru, WOTC)
- TCJA fixes – 80+ technical corrections identified by JCT
- Tax treaties – 3 pending (Hungary, Poland, and Chile)

# 2020 presidential election will be fought in battleground states

## Cook Political Report: 2020 Electoral College ratings

■ Solid D  
 ■ Likely D  
 ■ Lean D  
 ■ Toss Up  
 ■ Lean R  
 ■ Likely R  
 ■ Solid R



**Need at least 270 electoral votes to win**

**Solid to Lean R (163) – 107 Needed**

- Solid Republican – 77 (13 states)
- Likely Republican – 48 (7 states)
- Lean Republican – 38 (1 state)

**Toss Up (85) – FL, GA, IA, NC, OH, ME-2**

**Lean to Solid D (290) – 0 Needed**

- Lean Democrat – 78 (7 states)
- Likely Democrat – 24 (3 states)
- Solid Democrat – 188 (14 states)

\*Nebraska and Maine award two electors each to the winner of their state's popular vote and one elector to the winner of each of their congressional districts  
Sources: Cook Political Report.

# Polling Question #1

How many electoral votes are needed to win the US presidential election?

- a) 163
- b) 270
- c) 290
- d) 538

# Major elements of Biden presidential tax plan



Business	Individual
Increase corporate tax rate from 21% to 28%	39.6% top tax rate on income > \$400K
Impose 15% minimum tax on global book income	Tax capital gains/dividend as ordinary on income > \$1M
Modify GILTI (21% tax rate, country-by-country, 10% QBAI)	Tax unrealized capital gains at death
Impose 10% “offshoring” surtax on certain foreign income	Restore estate and gift tax to 2009 parameters
Provide 10% “Made in America” tax credit for US investments	Apply 12.4% Social Security payroll tax on income > \$400K
Tighten certain anti-corporate inversion rules	Restore itemized deduction limitation on income > \$400K
Impose financial fee on liabilities for firm assets > \$50 billion	Limit tax benefit of itemized deductions to 28%
Eliminate commercial real estate tax preference (e.g., LKE)	Phase out section 199A deduction for income > \$400K
Eliminate fossil fuel tax preferences	Restore electric vehicle and energy efficiency tax credits
Reinstate energy investment tax credit	Replace retirement contribution deduction with 26% tax credit
Provide tax credit for CO2 investment and sequestration	Establish auto-IRAs and small business start-up credit
Provide tax credit for distressed manufacturing communities	Expand EITC to childless workers age 65 and older
Eliminate deduction for prescription drug advertising	Provide tax credit for family caregivers
Tighten worker classification rules for independent contractors	Exclude student loan forgiveness from taxable income

# Major elements of Trump presidential tax plan

- Possible further corporate tax rate reduction
- Make permanent TCJA individual and pass-thru business tax relief
- Possible capital gains relief (15% top tax rate, indexing, opportunity zones)
- Provide new tax credit for companies that relocate jobs to US from China
- Allow full expensing for “essential industries” that relocate manufacturing to US
- Eliminate renewable energy, electric vehicle, and energy efficiency incentives

## Polling Question #2

Which of the following is NOT a major element of Biden's presidential tax plan?

- a) Increase corporate tax rate from 21% to 28%
- b) Tighten worker classification rules for independent contractors
- c) Limit tax benefit of itemized deductions to 28%
- d) Impose a wealth tax on the assets of certain upper-income individuals

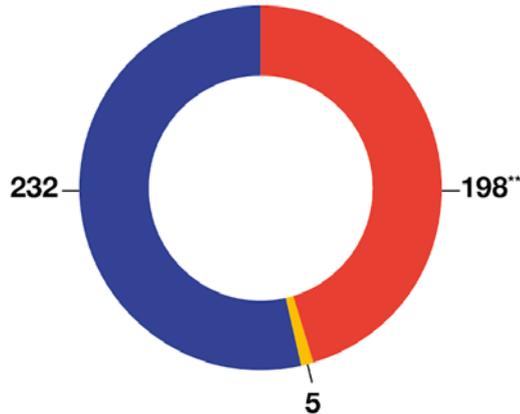
# 2020 elections – future tax policy depends on balance of power

Net change needed to gain control:

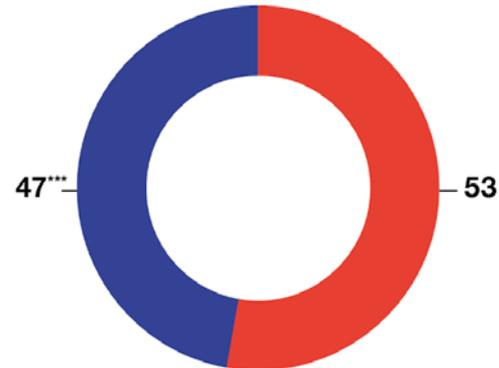
House Republicans +17\*

Senate Democrats +4 (+3 with Democratic VP)

US House



US Senate



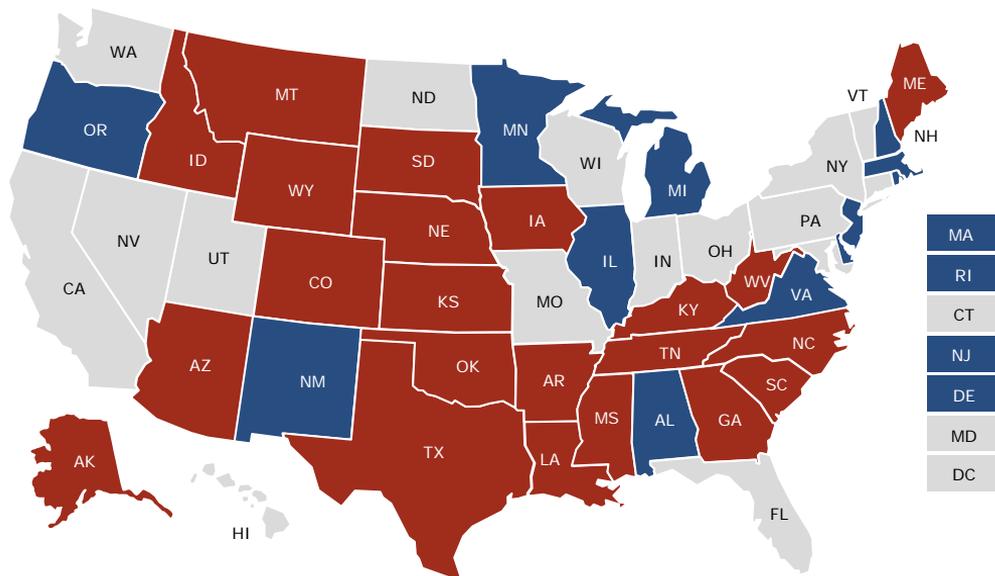
■ Republicans ■ Democrats ■ Vacant

\* Assumes vacant seats will be retained by same party.  
\*\* Includes Rep. Justin Amash (I-MI)  
\*\*\* Includes two Independents: Senator Bernie Sanders (I-VT) and Angus King (I-ME)

# 23 of 35 Senate seats up for re-election in 2020 are GOP-held

## Senate seats up for reelection in 2020

■ Democratic incumbent ■ Republican incumbent



## 2020 Senate Race Ratings

### Toss Up

- Loeffler (GA)
- Perdue (GA)
- Ernst (IA)
- Collins (ME)
- Daines (MT)
- Tillis (NC)
- Graham (SC)

### Lean Republican

- Sullivan (AK)
- Jones (AL)
- Open (KS)
- Cornyn (TX)

### Lean Democratic

- McSally (AZ)
- Gardner (CO)
- Peters (MI)

Source: The Cook Political Report

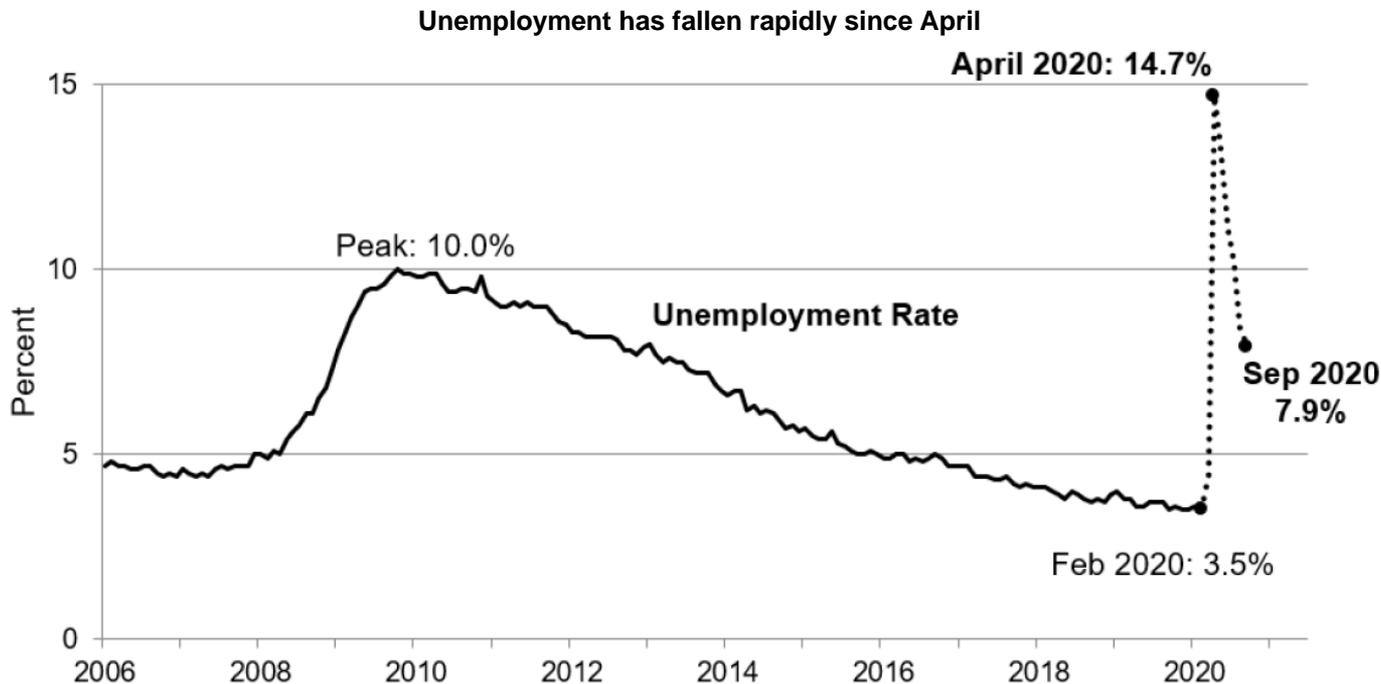
## Polling Question #3

How many of the 35 Senate seats up for re-election in 2020 are GOP-held?

- a) 22
- b) 23
- c) 30
- d) 15

# Unemployment loss is half recovered

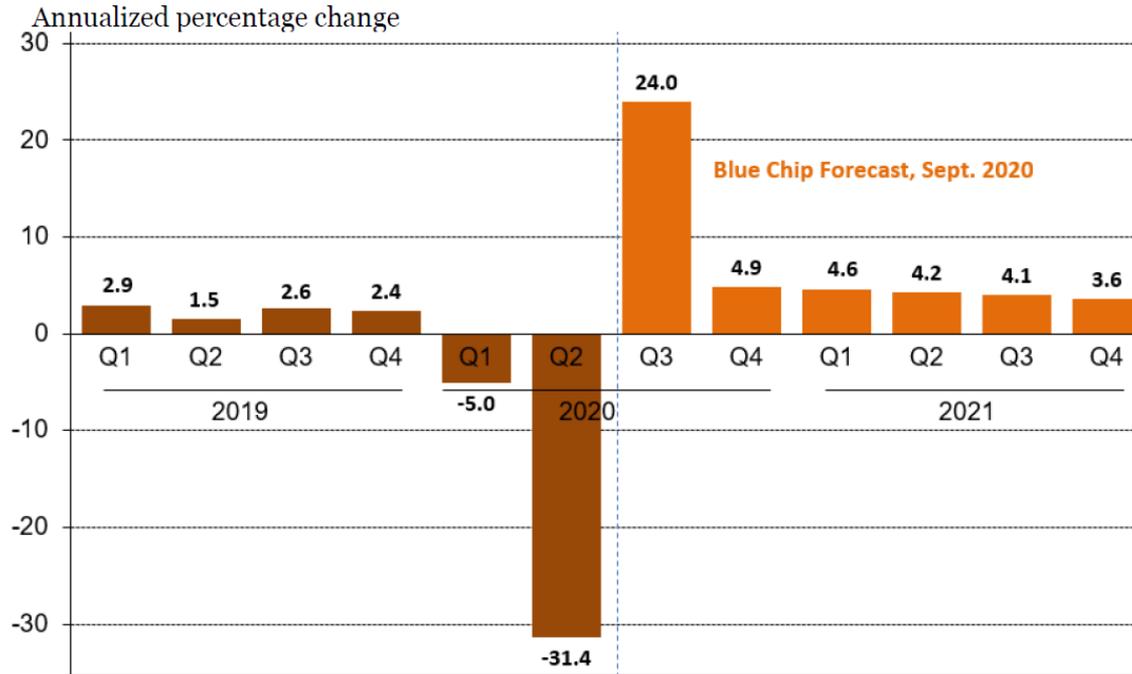
*Net job losses thru September still greater than worst month of 2008-2009 recession*



Source: Bureau of Labor Statistics, October 2, 2020.

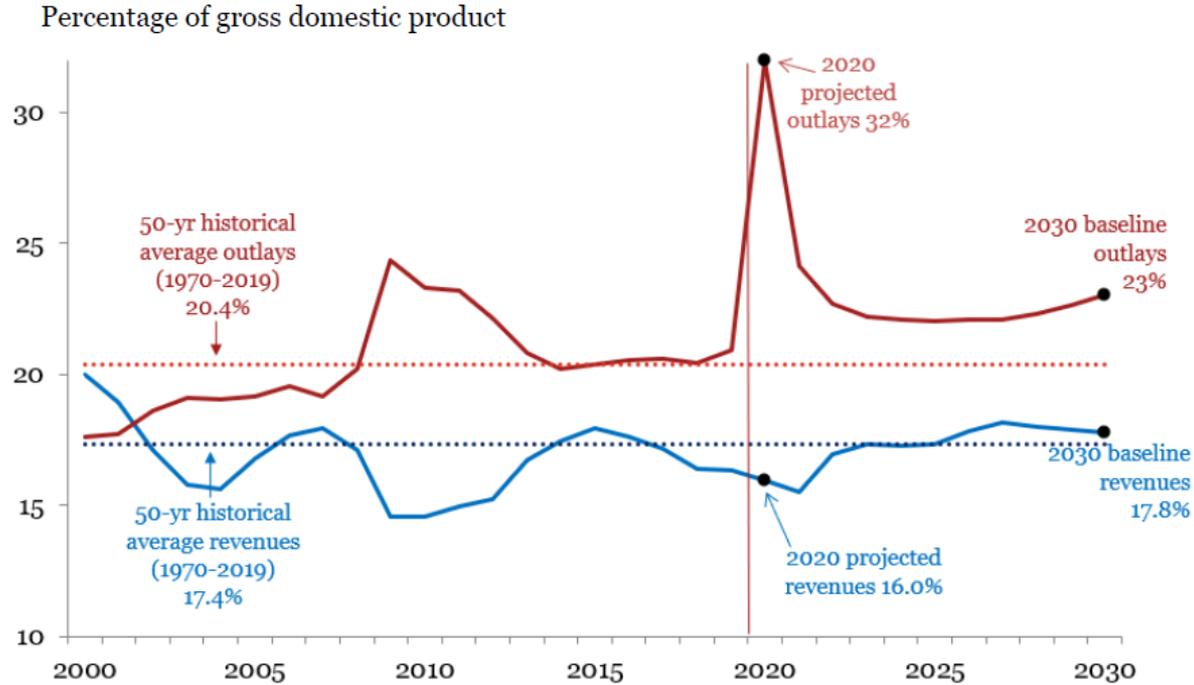
# GDP and forecasts on path to recovery

## Significant growth projected for Q3 real GDP



Source: Bureau of Economic Analysis, Sept. 30, 2020, and Blue Chip Economic Forecast, Sept. 10, 2020.

# Federal revenue and spending as a share of GDP



Source: CBO (September 2020).

# Rising federal budget deficits may affect future tax policy

## TCJA Temporary Tax Policy

2022 – Tighter interest & R&D amortization

2023 – Expensing phase-out begins

2025 – Final year of individual tax provisions

2026 – Higher taxes under BEAT, GILTI & FDII

## Government Trust Funds Solvency

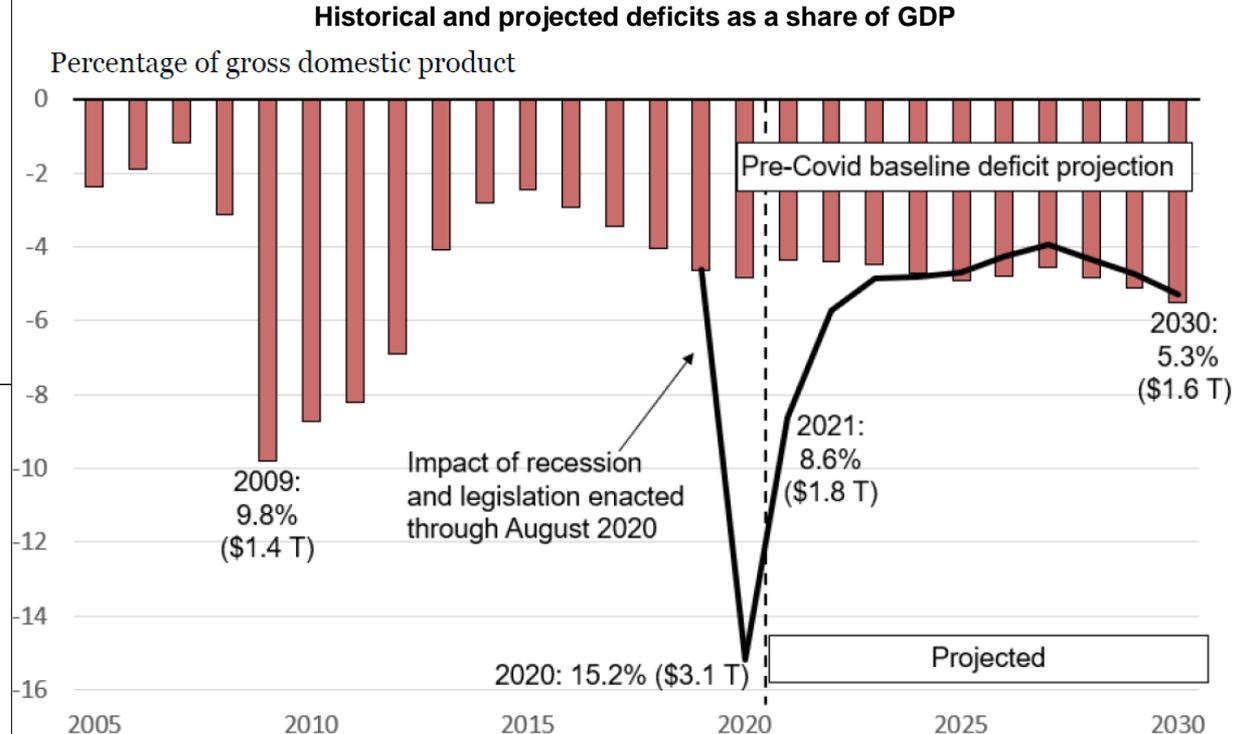
2021 – Highway Trust Fund

2024 – Medicare Hospital Insurance (HI)

2026 – Social Security Disability Insurance (DI)

2026 – PBGC Multiemployer Pension Program

2031 – Social Security Old-Age, Survivors Insurance



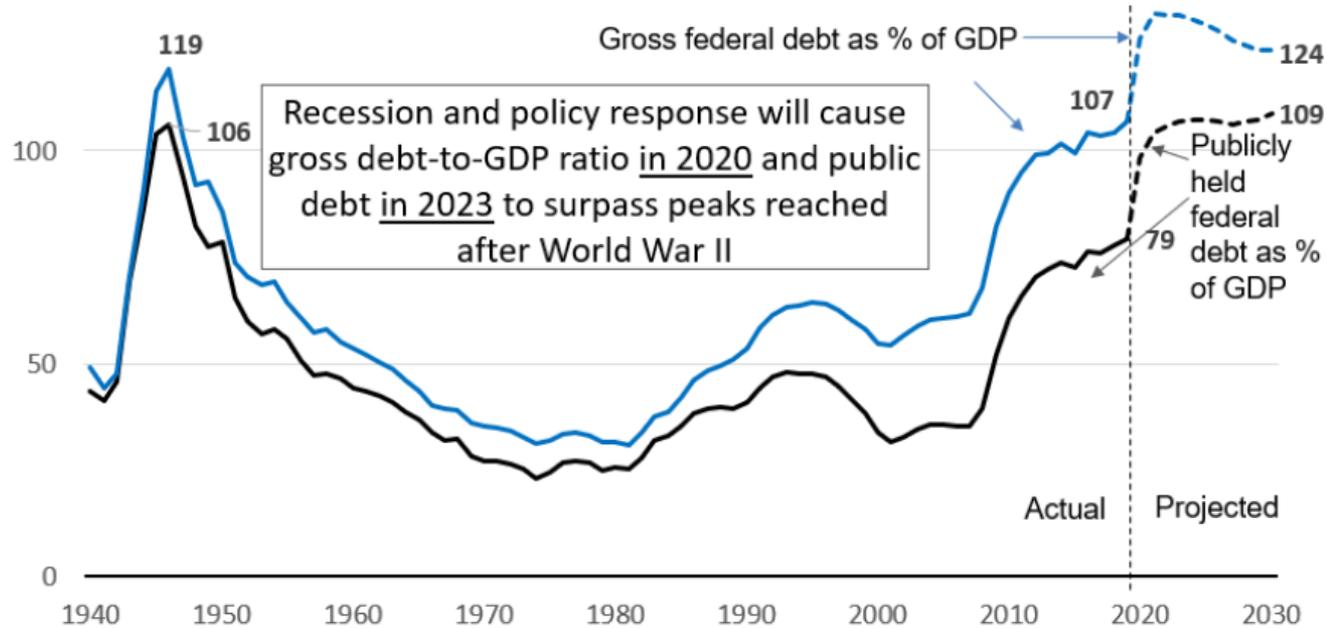
# Polling Question #4

Which of the following government trust funds could be insolvent by 2021?

- a) Airport and Airway Trust Fund
- b) Unemployment Insurance Fund
- c) Highway Trust Fund
- d) Military Retirement Fund

# Publicly held debt and gross federal debt as a share of GDP

Percentage of gross domestic product



Source: CBO historical data and CBO (September 2020).

## Polling Question #5

My company has already received our Paycheck Protection Program (“PPP”) loan?

- a) Yes
- b) No
- c) TBD
- d) N/A

# Thank you

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