President Biden's Proposed American Jobs Plan

President Biden released a fact sheet on his "infrastructure plan" on March 31, 2021.

Warning! This is just a proposal by President Biden. As such it is short on details. This is not law and some or all of it will not become law. The following is for information purposes only and should not be acted upon until final law is passed.

We would expect final legislation, if any, to occur in the fourth quarter of this year. The political landscape is unique in 2021, with the expiration of the emergency debt ceiling suspension expiring at the end of July, 2021 and the razor thin Democratic control in the Senate which will in effect give every Senator effective veto power as they try to pass legislation through the budget reconciliation process.

The fact sheet outlines a tax and spend bill which details more than just tax proposals. Most of the document is dedicated to spending initiatives for infrastructure, onshoring jobs and workplace improvements. Our summary of this fact sheet we will only focus on the limited tax proposals.

Key Tax Proposals

- **The federal corporate tax rate would go up to 28% from 21%:** The proposal would increase the corporate tax to 28%. It would also tighten inversion regulations to limit US Companies from reverse mergers into foreign jurisdictions.

- **Raise the tax rate Global Intangible Low Tax Income (GILTI) to 21%:** The proposal would raise the tax rate on GILTI to 21%, calculated on a country-by-country basis and eliminate the exemption of a 10% return on tangible investment abroad (QBAI).

- **Impose a 15% minimum tax on corporate book income for large companies:** The proposal would impose a 15% minimum tax on corporate book income which would be levied on the company's financial profit instead of its taxable income. This would apply to businesses with revenues over $100 million.

- **Repeal the Foreign-Derived Intangible Income (FDII) deduction:** This proposal is designed to incentivize businesses to move intellectual property to the US.

- **Provide a tax credit for certain onshoring activity and deny expense deductions on jobs that were offshored**

- **Eliminate certain deductions and credits for the fossil fuel industry**

- **Increase corporate tax enforcement**

The overall impact to the US economy is uncertain based on this proposal. According to the Tax Foundation, US multinationals would increase their federal tax liabilities by an estimated $100 billion per year. The increase to the corporate rate would make the US one of the highest taxed countries for business in the world. There is general concern that this will make the US non-competitive on a global level. As we continue to monitor these proposals, we are surprised that the recent proposals did not attempt to restrict the qualified business income deduction of 20% on flow through profits for those individuals earning more than $400,000. As pressure mounts in opposition to this large of an increase to corporate tax rate, we would expect modification to the qualified business in come deduction.